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# ***JPRS Report***

## **Soviet Union**

### ***WORLD ECONOMY & INTERNATIONAL RELATIONS***

No 6, June 1988

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## WORLD ECONOMY & INTERNATIONAL RELATIONS

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[The following is a translation of the Russian-language monthly journal MIROVAYA EKONOMIKA I MEZH-DU-NARODNYYE OTNOSHENIYA published in Moscow by the Institute of World Economy and International Relations of the USSR Academy of Sciences. Refer to the table of contents for a listing of any articles not translated]

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## WORLD ECONOMY & INTERNATIONAL RELATIONS

No 6, June 1988

### English Summary of Major Articles

18160010a Moscow MIROVAYA EKONOMIKA I  
MEZHDUNARODNYYE OTNOSHENIYA in Russian  
No 6, Jun 88 pp 158-159

[Text] Ya. Pevzner in the article "New Thinking and Urgency of New Approaches in Political Economy" states that for some years political economy as a subject has been limited to a counterposing of the exploiting nature of capitalism (the law of surplus value) and the perfection of socialist principles without due analysis of the basic laws of the functioning of the economy and its efficiency. In the article a thesis is advanced about the need to radically renew Marxist political economy, including the following main concepts. In place of quantity of labour (labour cannot be measured in quantitative terms) as the basis of value—value is to be viewed as a synthesis of cost and results. Market, price, money are considered as necessary instruments under any social order for estimation of the given synthesis. Ignoring "profit" category is considered inadmissible. Instead of the thesis that monopoly succeeds market competition the latter is considered as the strongest, really existing motive power of the present-day capitalist economy and a factor which on the basis of perestroika should play an important role in the socialist economy. In place of stereotypes and dogma based on a one-sided interpretation of the dynamics of the organic structure of capital (such as growth of means of production in relation to consumer goods and the law of diminishing rate of return) the main principles of a multi-factor analysis of the real economic structure are stressed as an urgent need.

Continuing to work on the problem of averting and lessening the danger of nuclear war A. Kokoshin and V. Laryonov present a new article entitled "Confrontation of Armed Forces in the Context of Strategic Stability Provision". The authors note that one of the focal problems today is a political orientation towards averting of war and strengthening of strategic stability. It is reflected in the military-technical aspect of military doctrines, in the strategic and operational concepts of building armed forces, their deployment etc. A subject of interest is also the way in which the transformation of the military-technical aspect of military doctrines will be realized in the process of arms limitation and disarmament. The work provides four versions of the confrontation of sides at the level of armed forces and conventional arms. Each of these versions is rather conditional, schematic and is considered as a subject for stimulating research. The authors' work enables them to state that the proposed four versions can be considered as one of the analytical instruments for the development of the

problem of strengthening of strategic stability in Europe and in the relations between the Warsaw Treaty Organization and the North Atlantic Treaty Organization.

A. Kolosovsky's article "Regional Conflicts and Global Security" considers the role of regional crises and conflicts in the present-day system of international relations. The author examines economical, political, ideological and military factors from the point of view of the great powers' attitude and the degree of their involvement. The author focuses on the necessity of overcoming the established approach to the "third world" as the sphere of confrontation of the great powers in the struggle for their influence and unilateral advantages and profits. The evaluation of the position of states should not be based on the degree of their political or ideological relations to this or that participant of the conflict but on how their behavior corresponds with the widely understood interests of strengthening general security, with the existing political and economic needs of their peoples and the introduction into the life of mankind of the principles of democracy, humanity and justice.

V. Kuvaldin in the article "Structural Crisis of Capitalism and Working-Class Movement" focuses his attention on the interconnection of development of bourgeois society and the working-class movement, the complicated and contradictory relations between labour and capital. The change in the correlation of forces between the bourgeoisie and proletariat serves as a key for understanding the dynamics of social development of the capitalist world. Thus, in the postwar period, the consolidation of the working-class movement's position at certain moments ran counter to the logic of capitalist accumulation, having become a major reason for a fall in the rate of profit. Seeking to reestablish the upset balance, capital attempts above all to place the working-class movement within certain "limits", which would guarantee stable development. A political expression of this profound requirement of the system is the "conservative wave" of the 80s. The neoconservative strategy is of global character, involving all spheres of social strata. It is spearheaded at the militant working-class movement. At the same time the conservatives succeeded in consolidating around their programme for overcoming the structural crisis broad layers of the population and in building on this basis a political majority. The spreading of the neo-conservative movement in breadth, the homogenisation on its base of the Western political structures speaks of deep historical roots of the movement, of its conformity with the "genetic code" of capitalism. The historical scale of the problems set before the working-class movement by neo-conservatism demands on its part an adequate answer.

At present a fundamentally new situation is taking shape in the informational and cultural communication of peoples. It engenders certain obstacles preventing a state from extending its sovereignty to the present forms of such communication. The functions of the state in

controlling international communication is also changing. An objective necessity urges the states to transfer the accent from external measures of defence of their cultural originality to measures that heighten the inner resistibility of the social organism to undesirable influence. V. Igorev in the article "Cultural and Informational Exchanges and Policy" notes that an analysis of the development and utilization of new means of communication in international cultural ties is of special importance. A comprehension of these trends, answering the demands of time, is necessary to build the cultural policy in conformity with the direction of the social process, the scientific and technical revolution and the broadening movement for a new informational and cultural order. The basis for all this is a sensible view, concerning the realities of the nuclear-space century the imperative of which is the co-existence of states with different social structures and the dissimilar systems of ideology and moral. The article speaks about the need to develop new approaches to the cultural policy, especially its foreign-political aspect which meet the latest sciencetech achievements and the processes going on in a country. The basis for this lies in perestroika, glasnost, democratization and the new political thinking. The article confirms that the UN and the UNESCO are doing much to elaborate the rules of international, cultural and informational exchange.

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"Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1988

### Competition Sine Qua Non of Progress

18160010b Moscow MIROVAYA EKONOMIKA I  
MEZHDUNARODNYYE OTNOSHENIYA in Russian  
No 6, Jun 88 pp 5-22

[Article by Yakov Aleksandrovich Pevzner, doctor of economic sciences, senior scientific associate of the USSR Academy of Sciences IMEMO: "New Thinking and the Need for New Approaches in Political Economy"]

[Text] *With Ya. Pevzner's article the editors begin a discussion on topical theoretical problems of political economy. We are hoping for the extensive participation in the discussion of authors and readers of the journal.*

In 1983 the USSR Ministry of Higher and Secondary Specialized Education announced in conjunction with a number of other organizations a competition for the creation of a political economy textbook. Various groups of authors prepared 17 MSS. However, at the time of the summing up in 1987 the competition judges deemed it possible to confer only incentive prizes. It had become perfectly clear that now, when economic science is faced with urgent new tasks, it is not enough to create new courses by way of the "turning" of old ones. As M.S. Gorbachev observed, the political economy of socialism "has become bogged down in many concepts. Correct concepts, but it has proven undialectical, as it were, from

the viewpoint of life and motion. Like old clothing which is coming apart at the seams" (1). The undialectical character is manifested primarily, it would seem to us, in the fact that many concepts which are correct and necessary for an analysis of some phenomena are being applied mechanically at the time of study of phenomena requiring different approaches.

The forces of socialism recognize that Marxism-Leninism is in need of new impetus and that this is inconceivable without a renunciation of many of the tenets and cliches which took shape in the Stalin years not only in practice but in theory also. Lenin's proposition concerning the three sources and three components of Marxism and the fact that Marx's teaching "arose as the immediate and direct continuation of the teaching of the greatest representatives of philosophy, political economy and socialism..." is well known. "It is the rightful successor of the best that was created by mankind in the 19th century in the shape of German philosophy, British political economy and French socialism" (2). It is perfectly obvious that the further enrichment of Marxism-Leninism and each of its parts is inconceivable without an appeal to the most important source for the present time—the practical experience of the 70-year-plus history of real socialism and its theoretical comprehension in the course of revolutionary struggle, with all its successes and failures.

As far as political economy is concerned, it is primarily the debate which has unfolded which testifies to the change here (3). The critical analysis of the past has already entered a phase wherein the contours of the new set of problems and new structure of Marxist works on political economy are gradually appearing. The publications of the structure of the political economy textbook model are indicative. We may note with satisfaction such a step as the abandonment of the division of Marxist economic theory into discrete parts: the political economy of capitalism and the political economy of socialism. The new textbook is to serve as the start of a new era in the study and teaching of political economy, and it is essential to avoid here the ascription to it of the function of a stereotyped pattern obligatory for all and in all its parts, as was frequently the case in the past (4).

We propose studying the approaches advanced in this article as a version of the elaboration of problems of political economy. The analysis is conducted on the basis of the following structure:

1. The subject and method of political economy.
2. The reproduction process and the law of value.
3. The market, prices, money and credit as necessary components of the economic mechanism.
4. The political-economy aspects of the efficiency and optimum functioning of the economy.

Granted all the possible incompleteness and imperfection of this outline, it would seem to us that it could contribute to progress in the direction dealt with above. Let us dwell in more detail on each of the proposed parts.

## I

Contemporary Marxist encyclopedic publications interpret political economy as "the science studying the social relations between people taking shape in the process of the **production, distribution, exchange and consumption** of life's benefits" (5). This definition took shape historically. From its first steps Marxist-Leninist political economy was primarily and chiefly the science of capitalist exploitation and the production of surplus value. The principal work of the founder of scientific socialism is entitled "Capital" and not "Economy". In his study of the laws of exploitation K. Marx resorted, abiding by Hegel's method employed in the study of logic categories, to broad abstractions and use of the "all other things being equal" (*ceteris paribus*) method, which contributed to the more profound penetration to the essence of the main subject. Marx himself repeated many times over that the questions of competition, the factors at the basis of pricing and pay and the normality of technical progress were beyond the scope of his analysis. "Das Kapital" and other of Marx's works contain propositions which are most important for science on questions of actual economics, but his intention of devoting special works to the questions enumerated was not realized (6).

Never in the past, perhaps, was the appeal to the first decades of the history of scientific socialism as pertinent as now. Marx and Engels regarded as utopian and sharply assailed all projects for transformations which, as their authors intended, allegedly opened the way to socialism without the destruction of the bourgeois state and capitalist ownership. The "outline" of the future new social system, socialism, in the works of Marx and Engels, however, was not nor could it have been unambiguous. In the early works they believed that socialism was incompatible with market relations and, consequently, that such categories as value, commodity, money and trade also would recede into the past. Later works emphasized the historically inevitable differences between the first (socialist) and second phases of communism, recognized the possibility of the action under socialism of cost relationships and derided wage-leveling petty bourgeois hare-brained scheme-hatching in respect of an abandonment of the market and money (7).

Nonetheless, the approaches of the founders of scientific socialism which had proceeded from the historically transitory nature of commodity-money relationships were not repudiated by them completely (8). Subsequently, however, the historical conditions of the struggle for the victory of socialism took shape such that it was this possibility of a "dual" reading which contributed to the formation of views which had a negative impact on the actual course of the struggle for the improvement of the socialist economy.

The issue is so important that it merits at least a brief examination. The idea of the immediate and complete eradication of commodity-money relationships as an essential condition of the transition to socialism was predominant in 1918-1920 in the program documents of the Russian Communist Party (Bolshevik) and in the works of its theorists (N. Bukharin, Ye. Preobrazhenskiy, S. Strumilin, A. Bogdanov and others) (9). The resumption of trade in connection with the NEP was interpreted as a temporary tribute to historical necessity, and the elimination of the NEP as the start of the destruction of components of the market economy and the gradual transition to product exchange.

The position in political economy was determined primarily by the overall situation. Inasmuch as an essential component of political economy such as it had traditionally evolved in the preceding 150 years had been the analysis of commodity exchange and money, the proposition that this science had outlived its time was advanced initially (10). The different viewpoint, which had taken shape in the works of such outstanding scholars as N. Kondratyev, A. Chayanov and A. Chelintsev, who championed the proposition concerning the historical necessity of commodity relations and their restructuring on socialist principles, was declared "bourgeois-apologetic". At the start of the 1930's even Stalin's crimes were turned against the Marxist scholars who were the inheritors of all the best that had existed in Russian economic science of the end of the 19th and the first decades of the 20th century. These tragic pages in the history of Soviet science are now open to the Soviet and world public.

An amendment was subsequently made to the official viewpoint: it was considered that, instead of one, there should be two political economies—one, in the "broad sense," interpreting the economic regularities of all social formations, and the other, "in the narrow sense," addressed to capitalism. The unsoundness of this viewpoint is the fact that political economy is meaningful only as a science studying the reproduction process as an organic unity of all its four phases—production, distribution, exchange and consumption. Production, distribution and consumption were born together with human society itself. Commodity exchange, on the other hand, arose at a higher level of development, and no upgrading of production was any longer divisible from the further progress of exchange. The functions of production and exchange, F. Engels wrote, "condition one another at any given moment and influence one another to such an extent that they could be called the abscissa and ordinate of the economic curve" (11). This proposition is applicable to any social formation based on a division of labor and exchange. It applies also to socialism in all phases of its development.

In the mid-1930's the "two political economies" concept was changed such that this science found itself split into the political economy of capitalism (with an introductory part concerning precapitalist formations) and the political economy of socialism.

The explanation for all these transformations should be sought not so much in the history of economic thought itself as in the domestic and international political situation in which the world's first socialist state found itself. The concentration of the political economy of capitalism on study of its embedded defects, and of the political economy of socialism, on what the socialist society **ought to be**, without an analysis of the actual complexities and problems of reproduction and its efficiency, meant in fact the merger of political economy with economic policy and turned political economy into a part of the political work necessary for tackling the most acute current tasks, but diverting attention from the realities of the economy and economic laws. The realities, however, were that the economy had grown on an extensive basis and had come to a standstill at a time when productivity in the USSR was not even half the average level of the industrial capitalist countries. The inertia of the long past and the "infallibility complex" which had taken shape in political economy (12) were preserved even when the situation which had engendered a devotion to oversimplifications and one-sidedness no longer obtained. "...Dogmatism," M.S. Gorbachev wrote, "stimulated the cost-no-object nature of our economy, which gathered a powerful force of inertia and held on until the mid-1980s" (13). Dogmatism in political economy appeared and continues to appear as pseudo-theoretical cover for extensive methods of management.

An improvement in political economy and its turnabout toward problems of economic efficiency require primarily a clarification of its subject. Marxist-Leninist political economy should be seen as the science of the material basis of the life of society, the science studying the common laws of the reproduction process (production, distribution, exchange and consumption) and their particular features under the conditions of private and public ownership of the means of production. Given this approach, what is most important under modern conditions, with the movement to the forefront of problems of economic efficiency, is a comparative study of such categories common to both systems as labor productivity and the optimum functioning of the economy in the opposite social systems. Or, to put it another way: given unconditional preservation of the function of revelation of the exploiter nature of capitalist production relations and the historical inevitability of their replacement by socialism, Marxist-Leninist political economy has an urgent need for the theoretical investigation of economic efficiency. In other words, of an analysis of expenditure and results, which could assist a continuous upgrading of the mechanism of their collation and at the same time accelerate the development of the socialist economy. This approach could be a contribution to the process of formation of the new thinking based on the realities of the modern world and a world outlook which presupposes not only an end to the arms race but also other methods of competition and the economic cooperation of the two world systems.

## II

P. Lafargue, associate and friend of K. Marx and F. Engels, wrote the following: "From a conversation which Engels had with my wife (Laura—K. Marx's daughter—Ya.P.) in Eastbourne a few weeks before his death I know that this question (theory of value—Ya.P.) was preoccupying him in the final months of his life and that he was hoping to add to his supplement. Weakened by the illness, he still prepared an account of the theory which was, according to him, by its simplicity to have earned for itself general recognition. Unfortunately, he did not have time to write this work" (14).

We will never know what F. Engels intended in respect of the interpretation of the theory of value. But a concern can clearly be traced in the works of the last years of his life to warn against the attachment of value to just one phase of the reproduction process—production. "...Classical political economy," F. Engels wrote in 1891, "found that the value of a commodity was determined by the labor contained therein necessary for its production. It was content with this explanation. We also may stop at this for the time being. And it is only to avoid misunderstandings that I consider it necessary to recall that at the present time this explanation has become quite inadequate. Marx for the first time thoroughly investigated the property of labor to create value and found here that not all labor which would seem necessary or is really necessary even for the production of a commodity imparts under all conditions to this commodity value of the magnitude which corresponds to the quantity of labor expended" (15).

Unfortunately, the misunderstandings about which F. Engels warned were in subsequent years not avoided. From the principal scientific category of the labor theory of value the labor employed in the production process became a fetish, worship of which relegated to the background the necessary study of the other phases of the reproduction process.

In themselves the classification and division of the reproduction process into functionally different phases represent no difficulty. The problems arise from the time when questions are put initially about that which is common which binds all four phases among themselves and then about how this common factor is manifested in each of them. And from this viewpoint paramount significance is attached to the exchange category for it is only in the process of exchange that the economic equivalence of things and services is determined. The core of political-economy analysis is by no means study of reproduction and distribution and so forth themselves (this is a matter for other sciences). It is spearheaded at study of the exchange of producible things and services as commodities, the regularities of the market assessment of the social need for the labor expended on their production, the nature of the equivalence of expenditure and results and the question of how equivalence takes shape under these social conditions or others, given this

nature of ownership, distribution and consumption or the other. Marx noted the coherence of the social evaluation of things and social freedom. "Remove this social power from a thing," he wrote, "and you will have to give it to some persons as power over other persons" (16).

From the viewpoint in question a central place in political economy is occupied by such categories as the law of value or the law of worth. These are different concepts.

The basic law is formulated in Marx's "Das Kapital" as "Wertgesetz". In the original translations into Russian (and also in the works of many Soviet economists in the 1920s) this concept was formulated as "law of worth," which corresponds to the word "Wert"—as distinct from the German "Kosten" signifying value in the sense of outlays, costs (how much does it cost, what does it come to?). Subsequently, evidently, in order for surer dissociation from utility theories and the illusion that this might impart greater persuasiveness to the labor character of Marxist political economy the translation of the word "Wert" as "value" became firmly established. An inalienable part of this approach is the assertion that whereas different things or services, in view of the differences in purpose and properties between them, are not comparable, labor is by nature homogeneous and is for this reason comparable with the aid of the measure of its duration—hours. A profound delusion which did (and, unfortunately, continues to do) tremendous damage to Marxist political economy! In Marx's interpretation the essence of the law of value is the fact that commodities are exchanged in accordance with the expenditure of **socially necessary** labor. Social necessity, however, cannot be divorced from a consideration of utility, which, in turn, cannot be determined without the consumer.

The proposition concerning the actual measurability of the value of commodities and services in hours of labor combined with an interpretation of the plan-conformity nature of the socialist economy whereby the latter (plan conformity) was regarded in isolation from market factors formed the basis of a principal and at the same time most fallacious proposition of political economy. It was proclaimed that the results of labor were known to the producer before production had begun even, that is, before the product or service had been evaluated by the consumer. The most important and most complex question of economic theory—that of how value becomes the market price and what the actual interaction between the two categories is—remained outside of the analysis. Given this approach, Marx's labor theory of value became an ally of the invalid cost-no-object concept, the theoretical basis of wage leveling and a pillar for administrative-command methods of management.

Introduction as the basic category of the "law of worth" (instead of "law of value") concept is by no means of only terminological significance. The advantage of the "worth" concept is primarily the fact that it reflects the

contradictory unity of value (expenditure) and utility as results. Value should be defined as the unity of the expenditure of actual and abstract labor, and utility, as the unity of actual and abstract utility. Given this approach, the "actual utility" concept acquires the same meaning as the "use value" concept at the present time. This substitution is natural: in respect of its precise meaning the "use value" concept is intrinsically contradictory—it is a question of how much a commodity costs the consumer. In this case the "use value" concept coincides with the "value" or "exchange value" concept and for this reason becomes meaningless. In this plane the "actual utility" (or "use value") concept more precisely reflects what at the present time is implied by "use value". The course of argument in respect of the "abstract utility" and "abstract labor" concepts is analogous. If it is possible to abstract from actual types of labor and create the "labor in general" and "abstract labor" concept necessary for the science of value and capitalist exploitation, why is it not possible to abstract from actual utilities and create the "utility in general" and "abstract utility" concept necessary for an analysis of efficiency and for an explanation of the quantitative commensurability of the utilities which actually exists? Aside from the other aspects, the "abstract wealth" and "social utility" concepts which figure in K. Marx's works (17) prompt formulation of the "abstract utility" concept.

We would emphasize once again that abstracting from problems of efficiency in conformity with Marx's approach makes perfectly definite and very profound sense. It means that the law of surplus value operates at any level of productivity and at any level of efficiency, high or low (given constricted reproduction even). But at the same time it would seem that there is a pressing need for specification of the interpretation of the law of surplus value as the cornerstone of political economy. The law of surplus value is the basis of the teaching of the social essence of capitalism and of exploitation. But it performs its role merely by becoming part of a broader, functional approach to an analysis of the economy and its efficiency and the shape it assumes under different social conditions. Or, to put it another way: making the law of surplus value the basis of study of the exploiter nature of capitalist social relations is one thing, attempting to solve all questions of the functioning of the economy, economic efficiency and, particularly, the economic competition of the two world systems by way of their direct attachment to the law of surplus value is another. The action of this law is, I repeat, not connected with the dynamics of efficiency. We believe that political economy will become closer to the tasks of the current stage of the struggle for socialism, for perestroika, for acceleration if pride of place is given the law of value (worth) in its Marxist interpretation. The "worth" concept opens the way to a broader analysis of both social relations and economic efficiency. The role of the "value" category as the basic concept necessary for an analysis of social relations, particularly of the origins and action of the law of surplus value under the conditions of

capitalism or the surplus product under socialist conditions, is preserved in full here.

Problems of the creation of value and its redistribution merit particular attention in this connection. In current political economy courses the creation of value is tied strictly to the first phase of the reproduction process—production. An analysis of the creation of value from the viewpoint of the entire reproduction process as a whole—of all four of its phases—is necessary, in our opinion. Of course, production is the main phase, but actual things and services are created in the process thereof which acquire a cost (value) nature only after they have passed through distribution and then exchange. The latter, however, always functions in interaction with distribution and consumption, that is, determines what the real value of a product is. Regardless of current valuations (that is, prices), the cost of identical things and services, given the same expenditure of complex and simple labor, could change.

The regularity of the equality of the sum total of prices to the sum total of costs is always (albeit in very complex manner) (18) preserved here, of course. But the problem of the redistribution of value is of particular complexity. Being mechanically attached to the action of the law of surplus value, it frequently amounts merely to a computation of the rate of surplus value. But recognition of the fact that the sum total of profits is equal to the sum total of surplus value is merely a revelation of the social basis of the profits, its "social origins," so to speak. This recognition cannot in itself serve to reveal the functional aspect—to ascertain the regularities of the formation of profit at the microlevel, at sectoral level, at entire national economy level even. Marx's teaching on the cost of production shows the inevitability of the quantitative distinction between the rates of profit in individual sectors and the amount which ensues from the differences in the rates of surplus value. But Marx linked this distinction with a single factor—the dissimilarity of the organic structure of capital. Yet the rate and bulk of profit (or the amounts of the losses) depend by no means only on the organic structure of capital but—and primarily, what is more—on the correlation of the costs of the production and the market valuation of a product, that is, on the hardware, technology and organization of production given the simultaneous consideration of the commercial aspect, in other words, on the influence on profit of the correlation of supply and demand and such. Of course, an analysis of economic reality goes to a large extent beyond the confines of political economy, but ignoring such problems impoverishes political economy as the science not only of production relations but of the interaction of the latter with the productive forces and of the basic principles of the functioning of the economy in their connection with social factors. From the viewpoint of an analysis of the functional aspects of the economy profit is a more important category than surplus value and for this reason merits in political economy immeasurably greater attention than that paid to it when it is studied only as "derivative" in relation to surplus value.

Or, to put it another way: the formation of profit has to be explained not only by the production of surplus value (which is theoretically feasible given the equality of prices and costs) but also by the deviations of prices from costs, which are inevitable and essential for the normal functioning of the economy. For what reason must the proposition concerning surplus value as the sole source of profit be counterposed to more complex and contradictory, but perfectly concrete reality? Graphic confirmation of the validity of this question may, incidentally, be seen in the simple commodity economy, where huge profits of commercial capital are formed despite the fact that surplus value is not produced. There is no need to cudgel our brains over the question of the origin of such profits—they are the product of the redistribution of value which occurs as the result of the constant deviation of prices up and down from costs. Can it really be doubted that under capitalism the production of surplus value does not supplant such a regularity of the simple commodity economy but coexists with this reality?

The further elaboration of the problems of credit as the category which reflects the necessity, which evolved in antiquity, but has enjoyed giant development under modern conditions, for the temporary transfer of values from their owners to their users is essential in this plane. The basis of this phenomenon is to be found in the particular features of the production process, in the fact that in the course of production values are for a time released which may be used more efficiently by those who do not own them. "The contrast between work time and circulation time," K. Marx wrote, "contains the entire teaching on credit..." (19). It is perfectly obvious that the credit category is inseparably connected with the highly complex question of the nature of interest and the regularities of its dynamics.

Each of these questions requires in-depth research. We shall not provide answers to them here but will emphasize once again that they cannot be avoided (as they have been until now), just as the question of the socioeconomic nature of taxes and other mandatory payments, which have grown sharply in the latter half of our century and which are most important instruments of the redistribution process, cannot be avoided.

### III

Virtually the main conclusion from the most recent political-economy analysis considering the 70-year experience of socialist building is that for the building of socialism the elimination of large-scale private ownership of the means of production is an essential, but inadequate condition. It is a question of the fact that there is opposition to the "from each according to his capabilities, to each according to his labor" principle not only on the basis of capitalist exploitation but on the basis of wage leveling also. The consequences are deplorable: people who are capable, creative and ready to work much and well are deprived of incentives to labor to the full extent of their powers and possibilities if a more or



less significant amount of the value created by their labor is transferred to the benefit of those who work less well, indolently and less productively.

This state of affairs inevitably engenders "emulation of the worst," which was manifested particularly clearly in the practice of the kolkhozes such as they were created at the end of the 1920s-start of the 1930s. The departure from Lenin's cooperative plan was manifested here primarily in the fact that the formation of cooperatives took place in forms whereby the orientation was by no means toward the workers but toward labor-days added up per the number thereof practically regardless of the quality of the work and the results. The labor-days principle was a specific embodiment of the wage leveling-cost-no-object concept. As a result, the stagnation and crisis of agriculture, despite the growing equipment availability.

The estrangement of the entire national economy from the market-commodity mechanism led to socialist competition largely being not of a spontaneous independent but a command-campaign and formal nature and contributing as such to the formation at the heart of the economy of stagnation factors.

From the said viewpoint wage-leveling distribution concepts should be examined not only in the historical plane and not only as an element of the ideas of utopian socialism which have sunk into oblivion but as the ideology of the social strata which, owing to the nonproductive nature of their labor, are opposed to distribution according to labor (according to the results of labor!) as the basic principle of socialism. It is time to acknowledge that such strata exist and that their ideology and social activity are harmful to the principles of socialism and, in the event of a weakening of the struggle against them, could become a danger to the very foundations of the socialist social system. The danger is particularly serious inasmuch as they appear under the flag of orthodox Marxism.

At the present time the socialist market, that is, a market based on the domination of public ownership of the means of production and free of deficits and surpluses, has yet to be created, and a theoretical analysis of the ways of its creation should, we believe, begin with the elucidation of the question of the nature of the contradictions under socialism. "Antagonism and contradictions," V.I. Lenin wrote, "are absolutely not one and the same thing. The first will disappear, the second will remain under socialism" (20).

We see in this observation of V.I. Lenin's a warning against attempts to turn scientific socialism onto the path of oversimplifications and an understanding of the fact that human society is not only a struggle of classes or, on the contrary, a single family. Mankind means hundreds and hundreds of millions of individuals, who, acting the part of producers and consumers, differ not only in terms of their social position but also in terms of

their creative capabilities, national traits, tastes, requirements, morals and so forth. Relations between people (in the foreseeable future, at least) will be characterized not by general altruism but a constant aspiration to obtain as high a valuation of the fruit of their labor as possible and to acquire the fruit of the labor of others at as low a valuation as possible.

In other words, contradictions between public and personal interests arise not only on the basis of division into classes and class conflicts. They are a daily occurrence of social life both under capitalism and under socialism, which no social science, political economy primarily, can avoid without running the risk of condemning itself to sterility.

In addition, a refusal to ascertain the essence and content of nonantagonistic contradictions under socialism, failure to recognize their very existence—all this was the methodological basis of concepts with which the emergence of diverse concealed forms of exploitation undermining the basic principle of socialism—that of distribution according to labor—was connected.

In the political-economy plane the combination of antagonistic and nonantagonistic contradictions is manifested in the fact that competition is not only a struggle between sellers for buyers but also between sellers and buyers, between producers and consumers, a struggle which reflects the main contradiction of society based on a division of labor—a contradiction without which an assessment of the social necessity of labor and, consequently, the functioning of the entire reproduction process cannot take shape. Historical progress is connected with the constant refinement of the mechanism of the formation and ascertainment of social necessity, which has taken shape over millennia, in interaction with the division into classes, but irrespective of this division also, that is, both with factors of an antagonistic nature and irrespective of such factors.

The market encountering supply and demand is this mechanism. It is the arena in which the same subjects acting simultaneously as both producers and consumers function and in which the social necessity of labor is determined by the consumer. Only in the market, only with the conversion of goods into money, which is by nature based on the above-studied synthesis of abstract labor and abstract utility, is the true value of the expenditure of labor in its infinite and constantly changing variety determined—both in the sense of its consumer purpose and in the sense of labor's quantitative and qualitative richness.

The very concept of "market" should appear in its true, enlarged plane here, that is, it is essential to speak not only of a market of transportable things but also of all types of services, money and credit, equipment and technology, information, real estate and all other components of the reproduction process.

When the vulgar approach to the market as a bazaar is abandoned, the market proves in some respects similar to the concept of the field in modern physics, with the interconvertibility of matter and energy. And there occurs in the "economic field," what is more, the kind of transformation of actual utilities into abstract utilities, and of actual labor into abstract labor, as a result of which the synthesis of the one and the other which is accomplished via competition imparts to things and services commensurability. If we think of objects as commodities, they are not three-dimensional, that is, have not only their own, inherent physical characteristics, but are necessarily four-dimensional. The "fourth dimension" is their place in the interaction of productive forces and production relations—all that has been created by the many centuries of man's economic history. It is the "fourth dimension" which reflects the conversion of the products of human labor into commodities. It is the "fourth dimension" (and not only the division of labor itself) which determines the social nature of production.

We are convinced that not much time will elapse before the need for a market mechanism becomes a truism. But at the present time, after many decades of the predominance of the "anti-marketeers," the proponents of product exchange and specialists in pinning on tags such as "market socialism" and the "exchange concept" (21), political economy must in addressing problems of efficiency contain a trenchant critique of such views and a disclosure of the nature of "economic hours". The social economic valuation of commodities with the aid of the hours expended on their manufacture is just as absurd as valuation with the aid of any other physical measures. According to the theory of relativity, in modern physics time and space do not exist separately—the latter is dependent on velocity. So also is "economic space" in the form of a mass of values (produced by labor or of natural origin) dependent on a kind of acceleration—on changes in the productive forces and in social life.

This proposition is legitimate in respect of any social system based on a division of labor and exchange. "...After the extermination of the capitalist mode of production, but given the preservation of social production," K. Marx wrote, "the determination of cost will remain predominant in the sense that the regulation of work time and the distribution of social labor among different groups of production and, finally, the bookkeeping encompassing all this will become more important than ever" (22). Addressing this same question, K. Kautsky wrote: "In whatever way the socialist society is organized, it will need careful bookkeeping, as will, equally, each of its enterprises. It must be perfectly distinctly visible at any moment from this bookkeeping how much it has spent and how much it has acquired or added. This, however, will be absolutely unattainable if income and expenditure are entered in the books only in natura" (23). And further: "Without the aid of money, the general division of labor would be a regression.... The socialists' task is not to do away with money but to do

away with the class relations which are turning this necessary technical resource for the expansion of the division of labor in society into an instrument of exploitation and oppression" (24).

There ensues from these assertions, as from the other thousands of similar, well-founded assertions borne out by the entire experience of the long history of competition of the two world systems, the impossibility of the functioning of an economic mechanism without prices objectively reflecting social need such as it takes shape in the course of the development of the productive forces and all social progress, without prices which, while never coinciding with costs and values, aspire to them. A most important achievement of economic science of the 19th-20th centuries in its combination with mathematics consists of the mathematical proof of the impossibility of the artificial formation of such prices, of their formation "from above," without reliance on supply and demand, without the confrontation of producers and consumers, without the market and competition (25). Values represent an infinite-dimensional object, and the search for the "philosophers' stone" (in this case, irreproachable indicators of value formed outside of the market) is just as pointless here as in any other sphere of human existence.

The central category of theoretical science devoted to problems of economic efficiency is the category of prices as the monetary expression of value. Even in spheres where for this reason or the other realization is effected free of charge, valuation of the distributed products or services with the aid of prices formed in the sectors in which payment operates is absolutely essential for the normal functioning of the economy. By its primordial nature price possesses the same properties as value, that is, reflects a synthesis of abstract labor (expenditure) and abstract utility (results). Price represents a value "of the moment," as it were, and value, "price in time".

**But this temporal difference cannot be comprehended with the aid of a search for the median price alone.** From the viewpoint of efficiency what is decisive here is not the median itself but the deviations therefrom of prices, deviations taking shape on the basis of supply and demand and representing the **lifeline** of the economy and main content of economic analysis. "There is no perfectly determined 'proportionality relationship'," Marx wrote in this connection, "there is only movement determining it" (26).

Were prices to coincide with costs (values), no economic theory would be necessary—the latter would simply coincide with accounting and statistics.

The affirmation of the fact that the goal of capitalist production is profit figures constantly in our political economy together with the proposition that such a fact is testimony to the depravity of the capitalist social system. So it is from the viewpoint of the social nature of capitalist profit. But if the means with which this goal is

achieved are analyzed? The profitability indicator is better than any other from these standpoints. However, it is not without shortcomings also, so serious, what is more, that the attention of the economic theory of all schools has been drawn to them constantly. It is a question of the fact that the freedom of the market and pricing typical of the capitalism of the 19th century—first third of the 20th century, the weakness of the regulatory principle and anarchy and spontaneity had engendered cyclical and other fluctuations of the marketplace on a scale which had undermined sociopolitical stability. Under these conditions (particularly following the 1929-1933 economic crisis) the efforts of the capitalist state and monopoly corporations were geared to the designing of a variety of stabilizers. Among them pertain not only sharply intensified government intervention but also the activity of the corporations themselves to adjust market indicators (consideration of the amounts of production and stocks, level and prospects of S&T progress, general state of activity in the national and world economy and so forth). Such adjustments made following the corresponding analysis are the purpose of the activity of the forecasting centers attached to the major corporations and banks operating in close contact with the official authorities. The general purpose of economic regulation is, without rejecting the market and setting as the goal the surmounting of cyclical fluctuations, to limit their amplitude to the extent that, while performing a "sanitary" role—cleansing the economy of inefficient enterprises—they do not cause sociopolitical upheavals. We shall not examine here the question of the extent to which capitalism is successful in achieving this goal but would note that, even given the increased controls, such defects as vast unemployment, homelessness and colossal discrepancies in income and property levels of different strata of the population persist.

The organic defects of capitalism are ineradicable without a change of social system. However, it has to be seen that progress has been made in respect of the optimum combination of the market and regulatory principles. It has been of a qualitative nature and determines the considerable difference between present-day capitalism and what it was up to the middle of the present century. V. Medvedev's formulation in the report "The Great October and the Modern World" of the following question is perfectly justified from this viewpoint: "...Is not... the era of free competition the predecessor of monopoly capitalism, and the latter, an adequate form of the capitalist mode of production?" (27)

Such changes which have occurred within the framework of capitalism are most directly related to the direction and course of the struggle of the two world systems. The controlled market represents a strong point of contemporary monopoly capitalism. While recognizing that the socialist social system affords opportunities for a regulation of the market which is incomparably more efficient in the social respect, it has to be acknowledged that it is necessary primarily to create what is to be regulated—the socialist market. We shall be unable to speak of its

creation, however, as long as there is such "overregulation" which inevitably leads to shortages and the creation of a "second economy," an economy which, while "shady," strikes by no means "shady" but perfectly visible blows both at socioeconomic efficiency and the basic social principles of socialism. Freedom of consumption and freedom of realization of an abstract value embodied in money is an obligatory condition of economic progress, whereas all breaches of this freedom palpably hit at reproduction and deform the principles of social justice.

The registering of the fact that the stronger and the longer the existence of a monopoly, the greater the distortion of the role of price in its basic function—reflecting the continuously changing value of goods and services—is essential for all social conditions.

The approach to the economy as a system possessing a "fourth dimension" should be made the basis of the analysis not only of prices but of money also. The monetary mechanism is the homogenic capacity of the economic organism and its circulation. Without the healthy functioning of this mechanism there can be no question even of the vigorousness of the entire economic organism as a whole. Study of the modern nature of money and its role is fettered by the concept according to which money can only perform its role and functions if a universal material equivalent is at the basis thereof. In reality, however, the reference point here is Marx's proposition according to which "**prices are the prerequisite of monetary circulation, although their realization is the result of the latter**" (28). "It is not money," Marx wrote, "which makes commodities commensurable. On the contrary. Because all commodities, as values, represent embodied human labor and, consequently, are in themselves commensurable—it is for this reason that they all may measure their values by one and the same specific commodity, thereby converting this latter into a measure of values common for all of them, that is, into money" (29). These definitions were formulated at a time when money, with its metal backing, played the part of a universal form of value. For modern money performing primarily and chiefly the function of scale of prices (or values) its description as an **extended-monetary form of value** is most acceptable. This means that in the "economic field" the value of each commodity—its equivalence in relation to all others—is determined in the face of goods and services all together, and the instrument of this measurement is money. This approach by no means removes the question of backing for money. To replace gold in this role has come credit—a fact of paramount significance for an understanding of the nature of modern money and the radical nature of the changes occurring in the credit system of present-day capitalism.

Credit's supplanting of gold in the role of universal equivalent has been a long historical process, to an analysis of which many pages are devoted in the works of the founders of scientific socialism. But whatever the

historical peripeteias, the role of gold as a monetary commodity has switched irreversibly to credit—that is, a particular kind of commodity, a commodity without bodily cover, but such as conceals the whole mass of goods and services backing credit. All the more urgent is the problem of the reliability of credit, a problem which is being tackled on the basis of radical changes in the capitalist banking and credit system itself, primarily, the closest fusion of credit and banking institutions and the state and the actual conversion of this system into a semi-government system.

#### IV

Questions concerning the effect of the laws of value and pricing and the role of money are of independent significance and simultaneously represent a prelude to the main problem of economic science—that of efficiency. It is necessary first of all here to determine both the particular which divides the concepts of productivity and efficiency and the common which binds them. Productivity is a concept reflecting the fruitfulness of labor at all levels thereof without exception—from the workplace on. In this sense the political-economy analysis of productivity, although of an independent nature, is the direct neighbor, as it were, of the technical and natural sciences. Efficiency, on the other hand, should be seen as productivity weighed in the scales of the overall correlation of supply and demand, scales indicating that same economic “fourth dimension” which cannot be realized without market exchange. Without an understanding of the need for the market, price, money and their nature it is impossible to extricate oneself from the claws of voluntarism, impossible to even approach the question of how profits or losses take shape and what is useful, profitable or unprofitable to whom and to what extent under different social conditions at the micro-, meso- and macrolevels. In other words, it is impossible to answer the question of what is efficient and what is inefficient.

At the same time, however, efficiency is a subject of study in each of the economic sciences, of which at the present time there are more than 30 (30). The problem of the relations of political economy and other economic sciences is quite complex in itself. But it is obvious that in an analysis of efficiency it must not substitute for other economic sciences and, even less, “crush” them. At the same time, however, a renunciation of leadership in study of problems of economic efficiency, which was typical of the recent past, means the castration of political science and its removal from the accomplishment of the most urgent tasks which have confronted socialism at the present stage of the competition of the two world systems. A switch to an analysis of problems of efficiency is inconceivable, however, without the introduction to political economy of the theoretical principles of the science of the optimum functioning of the economy—a science which, rejecting the possibilities of a priori indicators independent of supply and demand and the struggle between producers and consumers, seeks and

finds answers to the questions concerning the nature of economic efficiency, its progress and its substantive (and not contrived) indicators. There is no optimum aspect without commodity-money relations, and the introduction to political economy of optimal functioning theory strengthens the revolutionary party-mindedness of Marxist economic theory in the sense that the registering of the social nature of the target function helps on the one hand reveal in greater depth the social content of the reproduction process and, on the other, the concentration of forces on an investigation of the ways toward the speediest achievement of the loftiest goals of the socialist social system in its historic contest with capitalism. However appreciable the progress in accomplishment of this task has been, much still remains to be done. We shall express here merely some considerations concerning further work and formulate a “task minimum,” so to speak.

First, essential, we believe, in the work pertaining to political economy is an exposition of the very principles of the theory of the optimum functioning of the economy as a whole and individual parts thereof with special attention to the proposition that under socialist conditions application of scientifically elaborated methods of optimization facilitates the accomplishment of the tasks advanced in the sphere of a rise in the people's well-being and formulated in the form of target function and affords an opportunity for a quantitative solution given the least number of errors inevitable by virtue of the very nature of the reproduction process. The very essence of the approaches from the standpoints of the optimum consists of constantly addressing a search for the best (“least bad”) options while rejecting the utopia of the achievement of the ideal.

Virtually the most important in these aspects is the question, already studied above and addressed to an analysis of efficiency, concerning the nature of the market under different social conditions—given free competition, given state-monopoly regulation, given a combination of the market and the plan principle on a socialist basis. The opponents of perestroika are turning their greatest assertiveness against price reform, against all measures necessary for eliminating shortages and also against recognition of competitive profits as the best possible efficiency indicator because they realize that implementation of such measures would be the most powerful, most effective blow against parasitical bureaucratism.

Second, a special place should obviously be occupied by the question of efficiency indicators and of the place to be assigned each of these in their interaction (at different levels of the reproduction process, what is more). It is a question of such indicators as profit and loss and residual in the production function, of such indicators as the productivity of live labor and capital-, materials- and energy-intensiveness and of the possibility of the formulation of a common efficiency indicator.

Third, together with a renunciation of attribution in economic analysis to "all other things being equal" of equipment, technology and the organization of production it is question also of renunciation of the former cliches in respect of the interpretation of such questions as the concentration of production, the dynamic correlation of the production of producer goods and consumer goods and the dynamics of the rate of profit. And not only of a renunciation of the former interpretations (from which ensued the fallacious propositions concerning the "law of the preferential growth of the means of production" or the "law of the tendency of the rate of profit to diminish" or the fact that progress may be made only with an increase in the average size of enterprises) but also of the theoretical elaboration of the actual regularities of economic dynamics which entail the progress of equipment, technology and the organization of production. The theoretical principles of such aspects of statistical classification as gross national product and national income, groups "A" and "B," the gross, intermediate and end products, the end consumer product and so forth should occupy their appropriate places in political economy in this plane.

It is obviously time to assign the "multiplier" concept reflecting the quantitative dependence between investments and total production an appropriate place.

Questions concerning the particular features of the division of labor such as they appear under the conditions of S&T progress—specialization, the development of flexible technology, diversification, vertical and horizontal integration—pertain here. The interaction of such factors in their domestic and international aspects is connected with the contradictory interaction of an increase in productivity at the micro- and macrolevels and in the processes of the competition and struggle of countries for economic security.

Fourth, it is time for an emphatic updating of the approaches to the monopoly-competition problem and at the same time to the problem of ownership. Essential here primarily is a reconsideration of the proposition according to which "monopoly has come to replace competition" and a clear understanding of the fact that, granted the sharply changed forms (which are continuing to change also), competition is at the present time not more feeble but more bitter, rather, than in the 19th century.

Upon an analysis of state-monopoly capitalism the biggest place is occupied by the proposition concerning monopoly as the decisive factor of this system. Yet, it would seem to us, this very concept, which corresponded to the period of capitalism when the monopolies had in a broad front driven back free enterprise, does not correspond to the present state of affairs. Each major corporation represents a monopoly in the sense that it occupies the dominating positions in a certain sector of the economy. But it always has to defend these positions against competitors, and what is most important is the

fact that economic methods ultimately play the main part. Given the constant operation of forces headed in different, frequently opposite directions (in the direction of monopoly included), competitive forces supported by the state will nonetheless gain the ascendancy. The interaction of the one and the other (monopoly and competition) is frequently reflected in literature by the "monopoly competition" concept. But, after all, the many thousands of small and medium-sized enterprises participating in the competition, which, despite the change in their composition, are by no means quitting the scene, cannot be disregarded. Nor is it possible to equate a large-scale enterprise and a monopoly—the concept of "oligopoly," that is, the existence in a single sector (and in the majority of sectors, moreover) of a more or less significant stratum of major companies competing among themselves, revealed its viability long since. It follows, it would seem, from the entire specific analysis of modern capitalist reality that such concepts as "oligopoly," "state-oligopoly" or "corporate capitalism" reflect the present situation no less, perhaps more, accurately than "state-monopoly capitalism".

But regardless of the terminology, the most important thing is not to announce the disappearance of competition. Constantly changing under different social conditions in form and method, competition has been and remains a most powerful force of social progress. On the basis of socialist principles, in the interests of the socialist planned economy, competition everywhere possible; planning, administration, regulation, everywhere necessary. Such is a motto born of practice and the very course of the economic competition of the two world systems. Not to see this and to simplistically interpret the propositions concerning the "replacement of competition by monopoly" or to counterpose competition to planning means for the sake of a contrived plan avoiding a solution of a most important question for perestroika—the need not only for the revival or creation of socialist competition but its conversion into a powerful factor of acceleration.

Fifth, an updated analysis of the problem of the ongoing division of labor with the emphatic rejection of the division of labor into productive and unproductive is essential; it is important to understand here that inasmuch as it is a question of the production of goods and services useful or harmful to society and its different strata, the structure of the end product and end consumption is a most important social problem. Without substituting for other, related sciences (sociology, for example) here, political economy cannot fail to address the question of a sharp and continuous enhancement of the role of the intellectual factor in many types of labor and the associated question of the change in the nature of social differences between different strata of working people.

Political-economy aspects of the analysis of national wealth—in its independent value and in its interaction with market factors—pertain here also. It is a question of

the fact that the above-mentioned propositions concerning the absence of value in natural resources and concerning the fact that value is created only by live labor have resulted in their present interpretation in a "no-cost aspect" of means of production (natural and, together with them, created by labor also) which has entailed and continues to entail the senseless squandering thereof. A political-economy interpretation of the principles of linear programming in its application to the economy, particularly the principles of objectively conditioned estimates and rental payments, should obviously serve to overcome such practice.

It stands to reason that an analysis of national wealth in the functional plane cannot be separated from analysis in the social plane, that is, from a political-economy analysis of such aspects as ownership (possession), administration (management) and proprietary use. This is all the more important in that pronounced changes are occurring in the interaction of these three aspects under the conditions of present-day capitalism. Administration oriented toward the profitability of corporations in the joint ownership of bodies corporate is moving to the forefront.

While both in the capitalist world and the socialist world big changes are occurring in this sphere (based on a revival of the cooperative principle, a broadening of the independent economic activity of state-owned enterprises and so forth), the problems of ownership in political economy remain one of the most neglected.

Sixth, new approaches to questions of international economic relations are needed. It was obvious in the 18th-19th centuries even that the world economy was not a simple aggregate of individual national economies but a particular phenomenon born of international commerce which had begun to entail the international division of labor (31). This story subsequently acquired new aspects which came to be collated in the law formulated by V.I. Lenin of the unevenness of the economic and political development of capitalism in its imperialist phase. Linked to the proposition that the struggle of monopolies for commodity sales and capital markets and for sources of raw material inevitably leads to imperialist wars, this law ought to occupy in political economy the place which it occupies in history, that is, be attributed to the past. As far as the present day is concerned, however, the threat of interimperialist military struggle is unrealistic, and if we refer to the postwar period as a whole, the predominant feature of all types of international economic relations has been their liberalization (in the sense of an easing of control). Combined with the conditions born of the S&T revolution, liberalization is contributing to the tremendous growth of the international movement of goods and capital, outpacing national economic development, a growth entailing an international division of labor and cooperation whereby foreign economic relations have become for the national economies of a number of countries a vital necessity.

Of course, such processes are by no means painless, by no means conflict-free. A new wave of protectionism has been observed as of the start of the 1980s. The struggle between corporations of different states is incessant and frequently assumes a very acute nature. Profound national differences in the functioning of the capital of individual countries, industrial and developing and the most industrial, the emergence in the world arena of the "new industrial countries"—all such factors of unevenness are operating. They will continue to operate. But, we repeat, is it expedient to confine such factors to the framework of the concept of the law of unevenness formulated for another era and for other conditions of interimperialist struggle?

Far from all the problems requiring different approaches in political economy compared with those which took shape in the years of the retreat from the principles of scientific socialism in theory and in practice have been set forth here.

We realize that other solutions of the problems which have confronted political economy are possible also. Just one thing, however, must be avoided—a return to that past where political economy is led into the grip of circulars. Among the obstacles which perestroika is encountering, far from the least place is occupied by dogmatic distortions in political economy which have become part of the flesh and blood of many people working at various levels of administration. The sorry experience of the reform of the 1960's must not be forgotten. Many obstacles, many unsolved problems lie ahead. But all the greater is the need for a fundamental breakthrough on the theoretical front—the breakthrough at issue in M.S. Gorbachev's report at the CPSU Central Committee June (1987) Plenum. Such a breakthrough would be a powerful blow to the conservative, "antiperestroika" forces.

Each new work on political economy must become a launch pad for the further development of this great science. Let the guiding principle for the authors of such new works be K. Marx's words from his preface to the first volume of "Das Kapital": "I... am thinking of readers who wish to learn something new and, consequently, wish to think for themselves" (32).

#### Footnotes

1. PRAVDA, 22 February 1987.
2. V.I. Lenin, "Complete Works," vol 23, pp 40, 43.
3. See, for example, "In Scientific Quest. The Political Economy of Socialism Today," Moscow, 1987; EKO-NOMICHESKIYE NAUKI Nos 1-12, 1987.
4. See VOPROSY EKONOMIKI No 3, 1988, pp 3-21.
5. "Political Economy," Moscow, 1983, p 333.

6. See "First Version of 'Das Kapital'," Moscow, 1987.
  7. F. Engels' critique of the views of his contemporary, the German economist K. Rodbertus, might serve as the most striking example here (see K. Marx and F. Engels, "Works," vol 21, pp 180-194).
  8. In the "Critique of the Gotha Program," written in 1875, Marx wrote that the exchange per the expenditure of labor practiced in the first phase of the communist formation (under socialism) represents an **equal right**, which "is still confined to a bourgeois framework" in the sense that it presupposes inequality in distribution (see K. Marx and F. Engels, "Works," vol 19, p 19). This approach clearly contained an element of wage leveling.
  9. For more detail see Ya.A. Pevzner, "Debatable Issues of Political Economy," Moscow, 1987, chapter II.
  10. A. Bogdanov proposed substituting for political economy "general organizational science".
  11. K. Marx and F. Engels, "Works," vol 20, p 150.
  12. See PRAVDA, 19 April 1986.
  13. M.S. Gorbachev, "Perestroika and New Thinking for Our Country and the World," Moscow, 1987, p 43.
  14. Paul Lafargue, "Works," vol II, Moscow-Leningrad, 1928, p 37.
  15. K. Marx and F. Engels, "Works," vol 22, p 206.
  16. Ibid., vol 46, pt I, p 100.
  17. See *ibid.*, vol 26, pt III, p 262; vol 4, p 97.
  18. It is a question primarily of the particular role of the time factor. It is well known, for example, that not only the values in which human labor has been invested but also natural resources untouched by man's hand have in many cases a price. Does this contradict the law of the equality of prices and costs? Not at all. Only the natural resources which purchasers intend converting into values by way of the application of labor have a price. Consequently, it is in this case not a question of the inequality of prices and costs but of equality achieved in more or less prolonged periods of time.
  19. K. Marx and F. Engels, "Works," vol 46, pt II, p 165.
  20. "Lenin Digest. XL," Moscow, 1985, p 391.
  21. "Did not the 'anti-marketeers' concepts," A. Yakovlev wrote, "which resembled more political accusations, prove to be an economic impediment? It was thought it was just scientific arguments which were being conducted. In actual fact, the disregard for the law of value held sway both in theory and in practice" (KOMMUNIST No 8, 1987, p 7).
  22. K. Marx and F. Engels, "Works," vol 25, pt II, p 421.
  23. K. Kautsky, "Die proletarische Revolution und ihr Programm," Stuttgart-Berlin, 1922, p 317.
  24. K. Kautsky, "The Materialist Understanding of History," vol II, Moscow-Leningrad, 1931, pp 199-200.
  25. Referring to the well-known Soviet economist and mathematician A. Vaynshteyn, Academician S. Strumilin wrote that to construct the optimum national economic plan it would be necessary by purely mathematical methods to deal "with billions of variables and millions of limitations." In the opinion of Academician A. Dorodnitsin, the top mathematician and a founder of the USSR Academy of Sciences Computer Center, the creation of an absolutely centralized system of planning "is impracticable given any actually conceivable super-powerful machines" (see S.G. Strumilin, "Selected Works in Five Volumes," vol 5, Moscow, 1965, pp 211, 209).
  26. K. Marx and F. Engels, "Works," vol 4, p 98.
  27. KOMMUNIST No 2, 1988, p 6.
  28. K. Marx and F. Engels, "Works," vol 46, pt I, p 138.
  29. K. Marx and F. Engels, "Works," vol 23, p 104.
  30. Including those such as organization of labor and production, management, statistics, money and credit, economico-mathematical methods and so forth. For a classification of economic sciences see VOPROSY EKONOMIKI No 10, 1985, p 123).
  31. We would recall in this connection that of the six books of an economic work planned by Marx in 1858-1859 (it is a question of the plan of economic research from which "Das Kapital" subsequently grew), two books, five and six, were to have been devoted to international economic relations (book V, "Foreign Trade"; book VI, "The World Market") (see A.M. Kogan, "In Karl Marx's Laboratory," Moscow, 1983, p 8).
  32. K. Marx and F. Engels, "Works," vol 23, p 6.
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"Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1988
- 8850



### **Simplistic View of Third World Must Be Eschewed**

18160010c Moscow *MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA* in Russian  
No 6, Jun 88 pp 32-41

[Article by Andrey Igorevich Kolosovskiy, expert in multilateral diplomacy: "Regional Conflicts and Global Security"]

[Text] The dialectics of the connection between regional conflicts\* and the general state of international affairs, the level of tension in the world and the general atmosphere in East-West relations is an important component of the interdependence of the modern world. Regional situations and the state of affairs in the world arena and the interests of large and small states interact at the most varied levels, merging into a common system of international relations.

Putting the question broadly, there can be no talk of any all-embracing, global security if this is not security in the direct sense for all. If people feel at ease living in European homes, but under the constant threat of death, devastation or deprivation living in Asian, African or Latin American homes, this is merely European security. And quite relative security, what is more.

Postwar history testifies that a more or less serious crisis even in the most remote part of the world could rapidly have repercussions—and very appreciable, at times—in Soviet-American and in interbloc relations and also determine the attitude of the world community or part thereof toward one of the great powers.

The experience of the detente of the 1970s confirmed that a stable normalization of relations between the USSR and the United States and between the Warsaw Pact and NATO cannot be achieved merely by tackling questions of arms limitation and the organization of bilateral cooperation. Yes, there evidently were internal factors which prompted the retreat from detente. Steps were taken in the sphere of military development, which brought about tension and destabilized the situation. Relations between the two systems are an intrinsically contradictory process in which ebbs and flows could be inherent. At the same time a most important catalyst—precisely catalyst, but no means pretext—of the deterioration on the eve and at the outset of the 1980s in Soviet-American relations, the growth of East-West tension and the transformation of the image and authority of the great powers in the eyes of governments and public opinion was the development of regional crises and the parties' behavior in respect of such.

Now, rethinking many things, we are perseveringly aiming for the establishment of nonconfrontational forms of interaction with the West, proceeding from the fact that a real strengthening of security is possible only given the solution of the entire set of problems which exist

between the two blocs, including regional conflicts. This is the sole correct path reflecting the interweave of interests, phenomena and processes in the modern world which objectively exists.

Any region of the "third world" is firmly associated in the political, economic, military, ideological, historical and cultural planes with military and economically powerful states. It would be a mistake here to paint the picture of the mutual relations of the big powers and regions per a "subject-object of action" outline, depicting matters such that this power or the other pursues merely its own goals in the regions, encountering more or less resistance here. Both the peoples and governments of developing countries have long had their own specific interests and have succeeded repeatedly, taking advantage of interbloc and other contradictions, in realizing them, sometimes manifestly to the detriment of the interests of the great powers close to them.

When a crisis begins or develops, the whole established system of relations, balances, interests and influences sets in slow or rapid and sometimes simply impetuous disorderly motion. What the reaction of each individual state or bloc will be depends, of course, on a multitude of factors, but primarily on the customary overall approach at a given moment to relations with the "third world" and the processes occurring in the zone of emergent states.

The correct recognition of real interests and their perception by the parties is a fundamentally important component for the solution of regional crises. This is material both for finding a compromise formula between the parties directly involved in the conflict and for the organization of interaction in this connection between third countries, primarily the great powers. In different conflict situations many interests intermingle, but they are particularly specific in each actual instance for the direct parties to the conflict. For third countries they are of a more universal nature, and the approach of the latter to outwardly entirely different circumstances is determined by a correlation of roughly identical factors.

A powerful and quite stable influence on the determination of long-term approaches to conflict situations in general and specific crises is exerted, particularly, by economic considerations. Economics frequently does not come to the fore as the motive for this action or the other at the time of a serious development of events but its requirements are always present in latent form and are taken into consideration given a normal policy-making process, not based on voluntarism.

Certainly, no one will dispute the fact that the present-day economy of the West cannot exist without the closest, daily ties to the developing world. It is a long time since these ties were those of the old colonial model, when wealth was confiscated from the colonies, in the main. The "third world" now is not only a source of raw material but also a most important market, which,



naturally, will cease to exist if deprived of resources for development. It would also be overdoing it to maintain that relations are based only on diktat and one-sided advantage and not reciprocity. The developing countries need the Western economy also—its resources, technology and technological skills—and it is a market for their commodities also.

How fairly and equally relations between them are organized and how they may be reformed is another matter. This question is being and will continue to be decided in a difficult, tense struggle on a bilateral and multilateral basis, but we may be certain that the absolute majority of participants will not consent to the introduction of any serious crisis features to the established system of West-South economic relations. An indication of the soundness of this proposition is the broad positive response to the Soviet statement made at the highest official level to the effect that our purposes do not include the undermining of the evolved system of economic relations of the capitalist and developing countries.

The Soviet Union and other socialist community states undoubtedly have their economic interests in the zone of the "third world" and an interest in trade and economic relations with the developing countries. However, owing to geographical location, structure of natural resources, level of development of the economy and degree of involvement in the world economy, the significance of these relations is not, seemingly, of a vitally important nature. It may be assumed that in the future the economic need for a buildup of economic relations with the developing countries and a more active division of labor and integration will grow. But this is not a matter for tomorrow. More important for us today, evidently, is, from the economic viewpoint, normal economic interaction with the developing countries, which would be of mutual benefit. And, consequently, we need primarily partners who are solvent or possess resources which we need.

The classical proposition that policy should pay close heed to economic requirements lest it prove harmful to its makers remains valid in our time.

The exceptional importance of the developing countries for the West's economy—this is what primarily determines its close, sometimes painful even, political attention to what is going on in them, what kind of crises are arising and how other figures on the world chessboard are behaving in respect of them. In addition, it is important, we believe, to affirm that the West is today endeavoring to secure its economic interests in the "third world" mainly by economic and political-economy methods. There are still many relapses into unconcealed colonialism and military-power approaches, of course, particularly in the policy of the United States. But the more than cool reaction to such actions of its West European and other allies shows that it is not this which is the predominant trend.

It would be an impermissible oversimplification to maintain that the West's policy in respect of regional conflicts is determined only by economics or that political interests are a tracing of economic interests. Although it is the case that economic interests may be discerned perfectly clearly in the political position. Take Japan's attitude, say, toward the Near East or Iran-Iraq conflicts, and the Western powers' approach to the situation in South Africa and Namibia. Usually, however, everything is far more complex, and the formation of policy is influenced by a multitude of contradictory factors superimposed on top of one another.

One of the most material and difficult to analyze among these is the class or ideological factor. The reality of the modern world is such that the factor of class sympathies or antipathies and correlation with accepted ideological principles and social and political ideals and stereotypes is inevitably present in the evaluations by East and West of events in the "third world". It is strong in the approaches both to crisis situations connected with social and political changes in any country and with the national liberation struggle and to more classical interstate or inter-nation conflicts.

It would be no great exaggeration to maintain that for several decades it has been the ideological approach, developed at the classical "socialism-capitalism" dilemma level, what is more, which has been largely determining in the choice of policy in the "third world," in respect of conflicts included. Its result has been, as practice shows, a serious, sometimes simply dangerous, confrontation with the United States and an analysis of the development trends of this group of states not always adequate to the processes which are actually under way. It is not a question of denying the existence of class interests and different social orientations in the developing countries or questioning the legitimacy of the national liberation struggle and the reality of the contradictions between the United States and other Western countries and the developing world. All this is and will continue to be the case, as will the attitude toward these phenomena based on our ideology. However, the categories listed do not provide a picture of the entire reality of the "third world". It is far more variegated, and there are far more ingredients there, many of which do not fit into the "socialism-capitalism" outline and do not lend themselves to an ideological analysis constructed around this contradiction. For this reason a de-ideologized view of the developing countries recognizing the distinctiveness of the processes occurring there and their autonomy from the contest between the two socioeconomic systems is needed to a considerable extent.

Besides, it is of fundamental importance in the spirit of the new political thinking to investigate what from the viewpoint of our domestic tasks and foreign policy goals and the requirements of world socialism corresponds to our class interests. And do struggle and confrontation always signify their real defense?

The concept defining class interest by elementary confrontation logic was (and, to judge by everything, has still not been entirely overcome) current in our practical and scientific circles, in propaganda particularly. Reduced to its most simplistic formula, this concept interprets all that happens, conflicts primarily, in the "third world" as follows. If the course of events is harmful to the interests of the United States and creates difficulties for it and if anti-American slogans and sentiments are present there, this is necessarily good, regardless of all the other ingredients. Everything is split, as in a children's game, into "ours" and "theirs," and the map of the world is shown as some abacus on which the country-balls fly across from the American to the Soviet side.

This view of the world—simplistic, wrong, unproductive and dangerous—is quite prevalent (only the other way round), incidentally, in rightwing imperialist circles.

Historical experience and the modern political map of the world also clearly demonstrate that far from every regime which has quarreled with the Americans takes the path of social progress, justice and democracy, secures development and peace for its people and contributes to the strengthening of regional and international security. Far from everyone who looks for support in a conflict with other countries pursues his legitimate interests and is prepared to take into consideration the interests of others, the rules of international law and the tenor of world public opinion.

Criteria which are well thought out and carefully matched against fundamental principles and tasks in all areas of world politics and which do not depart from the overall, priority goals of foreign policy are important in the approach to the behavior of the parties to a conflict and to events in the "third world".

The main causes of regional crises and social storms in the "third world" are processes occurring in these countries and regions themselves determined by the phase of their development, the alignment of political forces, particular features of history and traditions and so forth.

Whence it follows that outside attempts both to halt or turn back changes which are proceeding naturally and to spur them on in an attempt to artificially rattle the social and political status quo, however much an anachronism it might appear, are equally unlawful. Whence it follows also that the processes unfolding in these countries or in relations between them will be the more natural, firm and organic for their peoples the fewer the third countries involved in them. The association of the latter with conflicts and crises arising in local soil inevitably leads to their internationalization, the introduction more often than not of ideological criteria borrowed from the arsenal of the East-West debate and alien to these conflicts and a toughening of the positions of the parties, which cease to proceed from a local correlation of forces and interests and aspire to forcibly change them to their own

advantage, relying on outside support. Such exacerbation of a conflict is usually difficult to reverse since it increases considerably the resources making possible its continuation and creates new parameters not changeable by its direct participants.

Whence it follows, finally, that a conflict in the "third world" (whatever nature it assumes—interstate or intrastate) should be evaluated primarily in a local system of coordinates, without one's eyes being closed to the interests of all the parties thereto, and not transferred to the ideologized system of East-West relations. It would be considerably better for the parties to the conflict themselves and for international relations as a whole were the crisis to remain for as long as possible outside of East-West interaction and not be used as an arena of confrontation between them.

At the same time, living in the interconnected system of contemporary international relations with a particular logic of the parties' behavior, it is hard to expect regional conflicts to proceed in laboratory isolation, without the enlistment of outside forces to a greater or lesser extent. The question is whether this involvement is approached as a desired goal or as a forced step, which requires cautiousness, a careful consideration of one's own and others' interests and the constant correlation of specific situations with the more general imperatives of a strengthening of global security, the surmounting of the confrontational attitude and an orientation toward values common to all mankind.

If they are not applied universally but selectively, the principles and proclaimed goals are modified in their own way in each situation, are rapidly devalued and become their opposite. A great power may not and need not interfere in internal events in other countries and regions, but it is difficult to be neutral and not display one's attitude toward what is happening. Our sympathies, it would seem, cannot be separated from the character of socialism which we have now begun to create. For this reason our specific actions must in practice correspond to the belief that peace is the highest value, that disputes and problems must be solved by peaceful and not military methods and that right must prevail over might. It must be an incontrovertible truth that, our interests apart, others' exist which are taken into consideration also, that policy is implemented not for the sake of oneself but for the sake of a real, tangible improvement in the living conditions of the masses and each individual and that no ends may justify terrorism, genocide and the death of totally innocent people.

Through its difficult history our country has come to understand that socialism without democracy, without respect for the individual and his rights and freedoms, is impossible. The image of socialism will become immeasurably more attractive when the outside world sees that the criteria of democracy and respect for human rights are invariably present in our assessment of events in other regions and in the choice of friends and allies and

that our condemnation of terrorism and orientation toward political and not military ways of solving problems is not simply a declaration but actual policy.

In a word, the new political thinking, the theory of the balance of interests, recognition of the right of each people to organize their life independently, an unconditional orientation toward the peaceful solution of problems which arise and a belief in the importance of democratic values and not a view of the world as a theater of hostile operations in which springboards of influence need to be taken—such would seem to be a base for an ideological evaluation of conflicts and crises and the actions of their participants in our time. Fortunately, the modern world has attained to a phase of development, recognition of realities and spread of democratic consciousness wherein these criteria are becoming increasingly universal. The voting in the United Nations and at other international forums and the surges of public opinion in various countries, including the United States and West Europe, show that the world community reacts sensitively to situations in which in the actions of the parties, the great powers particularly, egotism, an unwillingness to come to terms with the will of other peoples and a disregard for international law predominate and clearly expresses its negative attitude toward such policy. We may speak of the emergence of a kind of solidarity common to all mankind whose borders extend without regard for and frequently in defiance of bloc barriers, but coincide with the goals of the preservation of peace on earth and the assured right of each people to independent development, without violation of the rights of others.

Being among the leaders of this process, soberly recognizing one's interests here, being guided by the need to find the balance thereof with others' interests and display a concern in practice primarily for a search for ways to prevent, settle or de-escalate a crisis—such, in accordance with socialist ideology, is seen as the role befitting a great power in respect of regional conflicts.

Not the least part in regional dramas is played by the military presence and considerations of military strategy of the great powers. This is a factor which could sharply change the correlation of forces in a regional conflict, exacerbate the situation and transfer a crisis to the plane of interbloc confrontation. Military rivalry is an invariable component of decision-making, and references to the business of safeguarding national security, the prevalent public argument for actions pertaining to involvement in regional events.

Speaking of the military activity of the great powers in respect of various regions, it would evidently be worthwhile delimiting their steps connected with their own interests and the interests of their bloc allies and measures implemented for the sake of supporting the direct parties to a conflict.

The security of the USSR in relation to the United States, of the Warsaw Pact in relation to NATO and vice versa is ensured at the present time, as is known, by parity in the nuclear sphere against the backdrop of the historically evolved correlation of forces in other areas of military competition. The heaps of weapons stockpiled by the two sides have reached such a height that the military potential of practically any other figure operating in the world arena simply cannot be compared with them and cannot pose for them any serious military danger. The guaranteed security of the nuclear powers and their allies, on the other hand, in the event of a radical reduction, with an aspiration to zero, in nuclear weapons is conceived of not on the paths of a buildup of military power in other areas but on the basis of political and legal measures, the establishment of a balance of arms not perceived as a threat by either party and the introduction of trust, openness and predictability in bloc relations. Simultaneously, safeguards must be created, naturally, against threats to them, nuclear, chemical and others included, arising on the part of third countries.

The assertions that regional conflicts and crises create some real military threat to the national security of the great powers and, consequently, could require retaliatory measures of a military nature, however close to their territory these events may occur, would not seem correct under present conditions and in the foreseeable future. That regional complications might threaten the great powers' political, economic, prestige or other interests and take for them an undesirable turn from the ideological viewpoint is another matter. But no military operations for protecting national security against such "threats" and securing interests in no way directly associated with defense could hardly be considered legitimate and justified.

Any operations in the military sphere—from direct participation through arms supplies—in the interests of any party to a conflict are also of an extremely dangerous nature from the viewpoint both of the preservation of general peace and the development of specific situations. It is they which evoke the greatest nervousness of the other great powers and the other bloc and are fraught with the danger of the rapid growth of regional into global tension. They force the other parties to the conflict to appeal for military assistance also, lead to an even greater polarization and tightening of positions, dilute the effect of such factors contributing to a settlement as natural economic, political and moral fatigue from hostile operations and make more difficult not only a lasting settlement but a return to the initial positions even. Massive military assistance ultimately leads to the militarization of the regime receiving it with all the ensuing consequences, to a change in the correlation of forces in the region and to a growth of tension on this basis and a spiraling of the arms race. The power granting the military assistance also itself gradually becomes a hostage thereof—it has become so involved in relations with the recipient that it is forced to be guided in a conflict not by its own but the latter's goals and interests. The

hope of deriving big economic benefits from military supplies also results in its opposite after a certain time. As experience shows, countries which have been worn out by a conflict could sooner or later become hopeless debtors, and whoever is helping them could reach the point where he himself pays for this.

The conclusion from the adduced premises is, I believe, obvious: the maximum reduction in the great powers' military activity in the zone of the "third world". This would benefit both the international atmosphere as a whole and the situation in individual regions. Some military activity connected with the requirements of the strategic confrontation and with aid to one's allies among the developing countries will naturally continue, but it is important to ensure its steady trend toward build-down. This will not be easy, the more so in that this aspect has occupied far from first place among disarmament topics. But armed with firm political will and a realistic assessment of the present state of affairs, here also it is possible, it would seem, to get things moving. All paths toward this are open—both negotiating solutions and unilateral steps based on the reasonable sufficiency principle. Also needed here are the establishment of trust and a conviction as to the predictability of the other party's actions. In any event, an aspiration to restraint and a fear by a clumsy move of rocking the boat of regional and global stability should be determining at the time of the adoption of decisions concerning military activity in the "third world".

On the behavior of the great powers, primarily the United States and the USSR, in respect of regional conflicts and their correct understanding of their interests and others' intentions largely depend both the development of these conflicts themselves and the global international situation. There will be no significant progress toward a world without constant confrontation and without a growing arms race, toward a really secure world, if interaction on these issues is not established. It is not a question of a division of the world into spheres of influence or of lengthy negotiations to draw up on paper a code of conduct. It is a question of the need to understand others' interests, realistically assess one's own requirements and one's own actions, overcome the stereotypes of evaluations of the positions of parties to a conflict which have taken shape over the years and rely on joint actions in the name of preventing, localizing and settling crises.

A lasting settlement can only be reached ultimately by the parties to the conflict themselves. Each has his own goals and interests, his own history of hostility and his own framework for political maneuver. They have a far from a priori aspiration to a settlement: it is frequently the case that a constant state of crisis is politically profitable to certain governments, political forces and leaders. However, the threat to peace which a conflict as a result creates and the deprivations which it entails for the peoples involved are no less because of this.

All the more important is the international environment in which a conflict develops. It may either foster its continuation or contribute in every possible way to a winding down of the crisis, inhibit resources for its prolongation and prompt a search for intelligent compromise. A crisis, even more, an armed conflict should be seen as a dangerous anomaly of international life, to whose prevention and removal the efforts of all states should be geared. What is required is a broad understanding that any regional conflict is a threat to general security and the death and suffering of thousands of people and that the sole correct response to this is not one-sided intervention and confrontation but the joint, concerted action of forces situated at all poles of the contemporary political map of the world.

The key to progress in the business of a settlement of conflicts is a change in the approach of the world community, of the big powers primarily, to this problem and the introduction of new political thinking in this sphere also.

As the task of a curbing of the arms race demands the renunciation of egotistic attempts to ensure security for oneself, so the settlement of regional conflicts dictates the need for the surmounting of the outdated view of them through the prism of a strengthening of influence, penetration, the securing of strategic interests and the ideological, regional or religious solidarity of certain states.

Using regional crises for one's egotistic ends and determining one's position by something other than the interests of a fair settlement is just as amoral as building security on nuclear terror.

An imperative of our time is the introduction in international political thinking of the principle of the obligatory achievement of a settlement of conflicts and the creation of conditions of lasting peace and not simply polemical debate on the situation in this region or other. It is sufficiently indicative that the points of the agenda concerning regional issues in the Security Council, at UN General Assembly sessions and at forums of the non-aligned movement are formulated more often than not simply as discussion of the situation in some part of the world. It would be more logical to make the center of attention the question of what formula of a just—in the sense of consideration of the interests of all parties—and lasting settlement and what practical measures are needed for its realization.

It should not be thought that some magic plan may be drawn up which might quickly permit a solution of all conflict situations to be found. The actual settlement mechanism must in each case take into consideration the interior springs of a given conflict, its history, the national mentality of the parties involved and so forth. The settlement of particularly neglected crises will always be difficult and will require persevering and purposeful efforts. It is important to want to make a start

and take if only the first steps. The scaling down of a conflict and the start of a partial settlement would seem a better option than the endless preservation of a conflict in anticipation of its all-embracing solution.

There are at the present time sufficient principles of international law which could be a universal basis of the settlement of regional conflicts. They are enshrined in the UN Charter, the Declaration of the Principles of International Law and many other documents. A conflict arises, strictly speaking, from situations in which one or several of these principles are violated, and the essence of a settlement is the formulation of wording in accordance with which the situation is brought into line with the fundamental rules of international law and the interests of all the parties involved.

For each instance this wording is unique, but it must always be based on recognition of the principle of peaceful coexistence and consideration of the legitimate interests of all parties.

The principle of peaceful coexistence should be seen not only as the basis of relations between the two systems but as the universal basis of relations between all states presupposing respect and tolerance of the political and economic system and ideological, religious and other features of other countries and their legitimate interests.

Consideration of the interests of all the forces involved in a conflict (governments, population, individual national and religious groups and so forth) should be given priority over determination and punishment of the aggressor, an investigation of historical rights and so forth. Practically all contemporary regional conflicts have a long history of mutual complaints, aggression, infringement of legitimate interests and violations of the rules of international law on the part of all parties to the conflict. Experience clearly shows that concentration on the exposure and condemnation of the "guilty party" frequently means in practice the blocking of a settlement. For this reason the settlement process should be geared primarily to the formulation of a balance of the interests of all parties and the elimination of the factors which could prompt the use or threat of force in the future.

The basis of the settlement process itself should be renunciation of the use of force as a method of solving a conflict and the principle of its settlement by peaceful, political means. This means that no party must initiate the armed phase of any dispute, conflict or crisis. But this also means that if there has been a flareup of armed struggle, the party which was the victim should, after it is over, view force as an extremely undesirable method of restoring positions.

The methods and specific paths of a political settlement could be the most varied. Life itself is giving birth to new forms not employed hitherto. The promising nature of the method of national reconciliation and the distinctiveness of the process of a Central American settlement are vivid evidence of this.

All wars are dangerous in the nuclear-space era, and they must be precluded completely. In addition, the history of regional conflicts shows that the chain of armed clashes more often than not does not lead to a just settlement or even a stable solution to the benefit of any party.

The principle of the peaceful settlement of conflicts will remain practically useless and will be used even for the actual consolidation of the results of the use of force if it is not combined with decisive, including compulsory, measures of the international community for elimination of the results of the use of force and the achievement of a stable settlement.

The idea of collective security enshrined in the UN Charter, which is understood not simply as actions to put a stop to aggression and to punish the aggressor but as a set of measures, compulsory included, providing for the prevention and settlement of conflicts and the creation of the conditions for lasting peace, should be revived.

The central role in the formulation of the principles and specific parameters of settlement and the implementation of the measures to support it naturally belongs to the United Nations. According to the charter, it has sufficient authority for this. Despite the fact that the successes of the United Nations in the solution of regional crises are far from dazzling, the organization has formulated a collection of fundamental principles applicable to all the biggest conflicts and accumulated unique experience of peacekeeping operations. The vigorous activity of the United Nations in this field based on the cooperation of the great powers and all states would signify practical realization of the concept of all-embracing security. Naturally, success here will be the greater, the firmer the will of the parties to the conflict themselves to find ways of normalizing mutual relations. The diplomatic efforts of the United Nations should be geared primarily to involving the parties to conflicts in the negotiating process. At the same time it would seem that the world community should involve itself in a settlement regardless of the desire of all sides to participate in this process. A refusal to participate should mean not a breakdown of international settlement efforts but merely the fact that interests of the absent party would be less well known and less well considered.

When defining our attitude toward regional conflicts it is necessary to proceed firmly from the fact that the preservation of peace and stability in all regions, given observance of the right of all peoples to themselves determine their development path, corresponds to our state's highest interests. For "third world" countries which are close to and far away from us the Soviet Union has to be a symbol of justice and struggle for peace and security for all. It must be obvious that we are proposing and supporting realistic settlement formulas and mechanisms taking into consideration the interests of all parties and not only of those close to us and disapprove of all unlawful actions.

In the long term this policy will strengthen the authority and influence of the state far more than the blind support for allies who frequently do not aspire to a settlement. It would be possible in any conflict to maintain contacts with all parties and act as a force really capable of being a mediator.

Acting thus, we could be a pioneer of the new political thinking in the sphere of the settlement of regional conflicts also and demonstrate in this calling that the priorities of our foreign policy activity are determined by values common to all mankind and the interests of general security.

#### Footnote

\* It is predominantly a question of conflict situations, crises and wars in the zone of the "third world" in which both developing countries alone and, together with them, developed—socialist and Western—countries could be involved. The tension arising in some part of the "third world" in connection with a crisis development within this country or the other pertains here also.

Considering the particular urgency of the problem, the editors intend continuing the discussion thereof in future issues.

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#### Workers' Movement Having To Operate in an Unfamiliar World

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[Article by Viktor Borisovich Kuvaldin, doctor of historical sciences, leading research fellow of the USSR Academy of Sciences International Workers Movement Institute: "The Structural Crisis of Capitalism and the Workers Movement"]

[Text] The 1980s have been a time of stern trials for the worker and communist movement of capitalist countries. The working people's pressure on the bosses has weakened noticeably, the strength of the unions and workers parties has declined and their influence has fallen. The biggest losses have been incurred by the forces operating consistently from class positions. The Political Report to the 27th CPSU Congress affirmed that "the increasingly frequent economic crises and the technological restructuring of production have changed the situation and enabled capital to switch to a counter-offensive and deprive the working people of a substantial part of their social gains. In terms of a number of indicators of the living standard the working people have

found themselves thrown back many years." Investigating the causes of the current situation has become a vital necessity for various detachments of the worker and democratic movement.

Of course, great damage was done by miscalculations and mistakes which they made. They require fearless analysis—in accordance with Lenin's behest to the effect that the party's attitude toward its own mistakes is the criterion of its seriousness (1). At the same time, however, the very generality of the process which has changed the correlation of class forces in the zone of developed capitalism indicates that subjective factors cannot explain everything. We are left with the assumption that at the end of the century there has been an abrupt change in the objective conditions in which the struggle of labor and capital is developing.

Among these conditions Marxism has always distinguished the economic processes creating the foundations of social existence. "The highest task of mankind is to grasp this objective logic of economic evolution (evolution of social existence) in general and basic outline in order to adapt to it as distinctly, clearly and critically as possible our own social consciousness and the consciousness of the progressive classes of all capitalist countries," V.I. Lenin wrote (2).

#### I

The abrupt change in the development of the economy which occurred on the eve and at the outset of the 1970s and the appearance of a whole number of worrying symptoms—the decline in the growth rate, the reduction in investments, galloping inflation, the growth of unemployment, the exacerbation of all contradictions of the reproduction process—has brought to the fore an analysis of the basic normalities of the present phase of the development of capitalism, frequently designated a period of "structural crisis" (3). Of course, this focus of interests is explained primarily by an endeavor to understand the complex processes occurring in bourgeois society and make a scientifically substantiated forecast of its development in the foreseeable future.

At the same time, however, our interest in this subject is dictated not only by passing considerations. A structural crisis is a time of sudden change and a test of strength for society. Periods of tension and the mobilization of inner resources can always tell us a good deal about the essential characteristics of the social organism.

Interest in this set of problems is increasing also in connection with the process of perestroika which is under way in our country. Primarily because in an interdependent world the profound changes occurring in the zone of developed capitalism cannot fail to have repercussions in the socialist world. The certain coincidence in the nature of the tasks which have confronted countries at the same level of S&T development requires close attention. The fact that a critical analysis of the

ways of capitalism's arrival at a new plateau of development could be useful for an improvement in the socialist economy also is of considerable significance.

A certain difficulty in dealing with the "structural crisis" concept is created by its multiple meaning. For this reason it is necessary to specify right away that in this case what is understood by structural crisis is a disorganization of the economy going beyond the "normal" framework and requiring extraordinary measures. Revealing its essential features, V. Kuznetsov writes: "Signs of this crisis are revealed in the steady deviation of some fundamental proportions such as, for example, the correlation between profit and wages, accumulation and consumption and capital investments and productivity from the trends which were predominant throughout the first postwar decade. If stable proportions are viewed as structural characteristics of reproduction, a disruption of their 'customary' condition may be termed a structural crisis" (4). Undermining the foundations of the reproduction process, a structural crisis causes chronic disturbances of the activity of social institutions and lessens the stability of the system. When the destructive trends assume a menacing nature, the slow, agonizing adaptation of the capitalist economy to the new management conditions begins.

Our literature sees structural crisis as a purely economic phenomenon. At the same time, however, the very term—crisis of structures—induces the thought that it is a question of economic macroprocesses which affect all spheres of social existence and, in turn, experience their return influence. The close interweaving of economic, social, political and ideological processes in contemporary bourgeois society becomes obvious under the conditions of structural crisis. For this reason it should be seen as a comprehensive problem for whose solution it is essential to unite the efforts of specialists of various branches of learning. The first step could be separation of the phenomena and processes characteristic of this condition and an investigation of their interrelationship.

It is natural to begin the analysis of the present structural crisis with the question of the causes thereof. A big interesting article by Yu. Shishkov attempted to collate various explanations for this phenomenon given in Marxist literature and to formulate an integral concept of "structural crisis" as a form of solution of contradictions of the development of the capitalist economy in a historical perspective. The author sees as the main cause of the crisis of the 1970s-1980s the weakness of supranational control mechanisms of the capitalist economy, which has become transnational (5).

Social practice provides a vast amount of material for verifying this and other hypotheses. Of course, it is necessary in the diversity of events to distinguish the dominant which has determined the character of the decade in the zone of developed capitalism. As is known, literature has given it the name of the "conservative wave". It is essentially a question of the strategy of

capital aimed at increasing the amount of profit. Its starting point was ascertainment of a dangerous decline in production profitability. The calculations of Soviet and foreign experts provide a mathematical picture of this process (6). They show that as of a certain moment in the postwar economic cycle (different in different countries) the rate of profit has unswervingly headed downward. At the start of the 1980s "this principal indicator of the self-growth of capital had fallen to its lowest level since the war" (7).

As is known, the movement of the rate of profit reflects the most diverse aspects of the reproduction process. Among the most important factors determining its dynamics is the cost of manpower. Under pressure of the workers movement the proportion of expenditure on pay in the industry of the leading capitalist countries in the 1950s-1960s grew constantly (8). In order to "pay off" the working people the bourgeoisie was forced to sacrifice a substantial amount of profit. Worker and employee earnings' share of the national income in five leading capitalist countries (the United States, FRG, Great Britain, France and Italy) increased from 1965 through 1975 from 50-65 to 60-75 percent—the highest indicator in the history of capitalism.

Inauspicious trends, from the viewpoint of capital, also developed in the sphere of redistribution of the national income. The accumulation of capital was impeded increasingly by the growing spending of the "welfare state". From 1950 through 1976 official social spending increased from 14.3 to 17 percent of the GNP in the FRG, from 16.2 to 25.7 percent in Britain and from 11.5 to 29.9 percent (1974) in Sweden. In 10 years in the United States—from the mid-1960's through the mid-1970s—the federal government's social spending increased sevenfold. The development of the social infrastructure, cutting into the profits of the bourgeoisie, simultaneously strengthened the working people's rear in the struggle for their interests.

In the mid-1970s the general picture of exacerbation of the contradictions between labor and capital as the main factor determining the dynamics of the reproduction process was "blurred" by the sharp increase in the price of energy and raw material. Upsetting for some time the evolved practice of the preferential growth of expenditure on labor resources, it changed priorities in governments' activity and shifted Western society's focus of attention. But having recovered from the "oil shock" relatively rapidly, the capitalist economy began to spin its wheels.

In the sharply deteriorated world-economic situation of the 1970s, when the need for the modernization of the economy was perceived increasingly acutely, "costly" manpower and the social gains of the working people were the main obstacle in the way of the self-growth of capital. From the viewpoint of its strategic interests task



No 1 was to lower manpower costs, seek a cutback in the social obligations of the bourgeois state and redistribute national income in its favor.

In the search for a solution to this problem capital could not rely on the automatic action of economic laws: as distinct from the past, the cyclical overproduction crises had not brought down the cost of manpower to an "acceptable" level. The economic competition of the two systems and the depth and seriousness of intrinsic contradictions had rendered exorbitant the costs of a "transcyclical" crisis—like the great 1929-1933 crisis—intended to rectify structural disproportions of the capitalist economy. But a "transcyclical" crisis—regardless of its strength and duration—could hardly have rectified the situation. After all, it was a question of a special kind of disproportion. Behind the "costliness" of labor and "exorbitant" social spending were the power of the working class, the strength of its organization and the historic gains of socialism.

The example of West Europe, a region where the militant workers movement had sunk deep roots, is indicative in this respect. As B. Bolotin's calculations show, in the latter half of the 1970s the rapid growth of unemployment which followed the 1974-1975 crisis, the most severe since the war, did not interrupt the line of ascent of the working people's strike struggle. Inflation did not halt the growth of real wages (9). In addition, in countries with a high level of inflation and unemployment the intensity of the struggle was stronger and the working people's real earnings grew more quickly. The capitalist economy lost its capacity for self-regulation of the cost of manpower.

The interweaving of the economic, social and political problems of bourgeois society made partial solutions impossible. The rebuff of the working people lessened the effectiveness of such officially approved mechanisms of redistribution of the national income as inflation and unemployment. In the search for a way out of the "vicious circle" the ruling class was looking for a new strategy.

The entrepreneurial elite understood full well the nature and scale of the problems which had arisen. Responding to the question of an American correspondent, "what was wrong with the Italian economy in the 1970s?" Fiat President G. Agnelli said: "We had very powerful trade unions and a Communist Party, which had more power than today" (10). Of course, in the Italy of the 1970s the correlation of class forces was particularly unfavorable for the bourgeoisie. But in other developed capitalist countries also a distinctive balance of sociopolitical forces which prevented capital dictating its will to labor had taken shape. Endeavoring to once more acquire freedom of maneuver, capital prepared an offensive along the entire front.

Another structural disproportion which has developed since the war is the correlation between private enterprise and the bourgeois state. This problem was partially broached earlier, when it was a question of redistribution of the national income or the strength of the positions won by the working class. But the strengthening of the workers movement was not the sole source of the ruling class' conflicts with political power. From the viewpoint of the bourgeoisie the relative independence of the state had increased to such an extent at times that it was necessary to put it on a "short rein" and subordinate its activity completely to the logic of capital.

The growing discontent of the bourgeoisie was explained not only by its self-interest. In the postwar period the regulatory activity of the state in the economic, social and political spheres had gone beyond the optimum framework for the preservation of the balance of the system. It had frequently become an end in itself, the justification for the existence of an inordinately swollen machinery of administration and source of unproductive expenditure.

In the search for a new model of relations with political power the bourgeoisie took as the basis not only the idea of the "inexpensive state" but also new trends in the mass consciousness. Increasingly broad strata of the population were perceiving painfully the state's invasion of private life and the impossibility of "moving a step" without the authorities' approval. Behind the growing protest against the bureaucratization of all aspects of life was the need for a redistribution of functions between the civil society and the modern Leviathan.

## II

Under the conditions of bourgeois democracy the ruling class cannot on its own break up development trends which are not in its favor; broad public support and the use of levers of state power are required. The first conservative wave rolled through the Western world at the end of the 1960s in response to the upsurge of the worker and democratic movement. It was predominantly of an ideological and psychological nature and was expressed in nonacceptance of left-democratic values and ideals. Its landmarks were the Gaullists' retention of power after the May 1968 events in France, the election in 1968 as U.S. president of the conservative Republican R. Nixon and the return to power of the British Conservatives in 1970. But the inertia of the preceding period remained at the start of the 1970s, and by the middle of the decade the first conservative wave had petered out. While not having succeeded in changing the direction of development, the conservatives' first attack did not, nonetheless, pass without trace. Having spent itself, it left behind a developed infrastructure of ideological and political groupings and currents which became the nucleus of the neoconservative movement.



Conservatism was given its second wind by the 1974-1975 economic crisis. The crisis put point-blank the question of who would settle the accounts of the structural reorganization—labor or capital. Particular nervousness was displayed by the so-called “middle class” (the petty bourgeoisie, the middle strata and the high-income workers), whose fragile prosperity was threatened. The strength of the neoconservatives was the fact that they expressed the economic necessity and logic of capital. But en route to power they had to overcome many obstacles. It was necessary first of all to win the support of influential groups of the bourgeoisie, then lay their hands on the corresponding political parties and create a mass base and, finally, become the country’s leading political force.

The global nature of the strategy of the neoconservatives as capitalism’s answer to the challenge of the times was becoming obvious on the eve and at the outset of the 1980s. From this viewpoint the priority task was putting their own house in order and emphatically strengthening the economic and social positions of private capital.

To understand the nature of the neoconservative movement circumstances of place are just as important as circumstances of time. The center thereof—the United States and Britain—are the two countries which played the key part in the formation and development of the capitalist system. The British and American bourgeoisie has accumulated tremendous experience of political leadership, in crisis situations included. It has acquired great freedom of maneuver thanks to its ideological and political hegemony in society. As the classical authors of Marxism observed repeatedly, in the Anglo-American world bourgeois ideology had become firmly enshrined in the consciousness of the masses, of the workers included (11). While remaining within the framework of bourgeois ideas, they have been forced to accept the logic of capital, even when it affects their interests.

At the same time, however, the deep-lying contradictions of capitalism’s postwar development were manifested more acutely in these countries. A trend toward an increase in the proportion of the earnings of wage workers in the value added showed through earlier. They yielded their positions in the interimperialist competitive struggle, and the structural crisis hit them particularly hard. Britain became the “sick man” of Europe. The United States lagged behind Japan and the EEC countries considerably in terms of productivity growth. The internationalization of the economy, the exacerbation of interimperialist rivalry and the growth of the aggressiveness of national imperialisms—“squeezed” between “their” workers and foreign competitors—narrowed the room for maneuver and allowed no breathing-space. The economy of these countries was suffocating in a tight knot of structural contradictions of the reproduction process; a perception of malaise paralyzing economic activity grew (12).

The intrinsic essence of neoconservatism is revealed also by political figures who became symbols of the movement. R. Reagan and M. Thatcher are the “new people” in the bourgeois establishment. They have traveled a long path up the ladder of the social hierarchy, gradually evolving toward the right. Their experience is the experience of people who have achieved fame and fortune by self-reliance. Their fate is the fate of a whole stratum of nouveaux riches, who in the period of the propitious economic conditions of the 1950s-1960s tore themselves away from the masses and were prepared for everything lest they be reduced to a common denominator (13). Their life is an advertisement for the opportunities for the social progress of the individualistically oriented personality in present-day bourgeois society. The populism of R. Reagan and M. Thatcher is primarily an appeal to the bourgeois individual, more precisely, the bourgeois values and ideals which had become firmly enshrined in the consciousness of the British and the Americans (14). In this cruel world it is everyone for himself, and concern for others is an impermissible luxury. Commodity-money relationships are becoming a universal law of existence, supplanting everything else as alien elements. After the Conservative victory in the 1983 General Election *NEWSWEEK* wrote: “Prime Minister Thatcher wants not only to dismantle the welfare state; she wishes to undermine the very principles on which it is based” (15).

Neoconservative ideologists and politicians are characterized by an avowed orientation toward the ruling class and an endeavor to subordinate all to the interests of the employers. “Profit is the basis of the free enterprise economy. In Britain profits are, as before, dangerously low,” the Conservative Party manifesto for the 1979 election, which showed the strength of the “neoconservative wave” for the first time, proclaimed. In turn, the degree of support for the neoconservatives on the part of various factions of the ruling class depended heavily on how far they were contributing to a “normalization” of the situation in this sphere of business activity or the other.

The neoconservatives considered the universal means of economic “recovery” a change in the correlation of forces between labor and capital. Profiting from economic difficulties, they ignited hostility toward the workers’ organizations and enjoyed considerable success here. “Breaking up strikes and smashing the unions has become a customary matter... and evokes no public condemnation... as before,” the trade union economist (O. Fridmen) testifies (17).

The neoconservatives’ antiworker policy has been illustrated extensively in our literature, and there is no need, I believe, to return to this subject. The sole point which needs to be emphasized is the extent of the losses incurred by the workers movement, particularly where the right has surged to power. It goes beyond any “normal” framework. “Workers have not been hit this

way since 1935," L. Anderson, a leader of the American-Canadian Food and Commercial Workers Union, declared. (D. Eflin), vice president of the United Auto Workers Union, said: "This is the worst antiworker, anti-union period in my lifetime. We are the only country in the free world in which the workers movement is fighting to survive" (18). Indeed, from 1970 through 1985 the proportion of wage workers organized in unions in the United States fell from 27.3 to 18.8 percent, in the first half of the 1980s, what is more, union ranks thinned literally before our very eyes. The number of union members in Britain fell from 1979 through 1986 from 13.3 million to 9.5 million. There has been a pronounced weakening of the unions in other West European countries also.

Sensing that its time had come, capital switched to decisive action. In the race for profits it is radically updating production, paying no heed to social costs. The new technology is cutting the need for live labor, and people are being replaced by automatic machinery. In the first half of the 1980s the modernization of the economy in developed capitalist countries increased the number of unemployed to 27.8 million—8 percent of the active population. The appearance of a big reserve army of labor created a gaping hole in the workers' defenses and put a powerful weapon in the hands of the bosses.

The social and psychological effect of the growth of unemployment is far greater than might be supposed on the basis of average indicators. For example, in the United States unemployment had in 1982 risen to its highest level since the war, passing the 10-percent mark. But the number of those who had experienced unemployment was considerably greater: at various times of the year 22 percent of the work force was looking for work.

Uncertainty as to the future and fear of finding themselves on the street are forcing people to work and forget about everything else. A Harris poll showed that from 1973 through 1985 Americans' free time had declined from 26.2 to 17.7 hours per week. From 1980 through 1985 no-shows at work had declined 20 percent—to the lowest level since 1973, when the Bureau of Labor Statistics began to record the corresponding information. "American workers have gone onto the defensive. Having lost confidence, they are working flat-out," A. Draper, coordinator of the Work in Society program at a college in the state of New York, declared (19). Since the crisis of the start of the 1980s productivity in the United States and Great Britain has grown more rapidly than in any other capitalist country (aside from Japan) (20).

The unpropitious economic and political conditions, the abrupt change in the correlation of forces between bosses and workers and the decline in the influence of the unions have lowered the intensity of economic struggle. From 1971-1975 through 1981-1985 the average annual

number of man-days lost as a result of economic strikes in developed capitalist countries declined by almost one-half, from 100 million to 54 million.

The weakening of the resistance to the pressure of capital has changed the dynamics of earned income and profits. According to official data, there was no increase in the real wages of workers in manufacturing industry in West Europe in the first half of the 1980s, and in the United States they declined more than 5 percent. There was a rapid growth of profit at the expense of the working people's income, particularly where the levers of power were in the hands of the neoconservatives. In Britain, for example, the rate of profit doubled from 1981 through 1984, reaching its highest level since 1973. The proportion of profit in the national income increased 3.9 percent (21).

Official statistics far from fully reflect the increased oppression of capital. The extensive spread of various forms of partial employment (contract work, temporary employment, pluralism) is enabling the employers to reduce wage costs and economize on social allocations. The rapid development of the "underground economy" is creating vast "special zones" where a "game without rules" is played—more precisely, where capital has undivided diktat by right of might.

The workers parties have incurred no less tangible losses than the unions. At the 1983 General Election in Britain, for example, the Labor Party obtained only 27.6 percent of the vote—the worst result since 1918. Other detachments of West European social democracy have found themselves in a difficult position also. But the sternest tests have been reserved for the communists. It is hard to find a communist party in the zone of developed capitalism in the 1980's which has managed to preserve the positions which it had won.

The series of election defeats of the workers parties cannot be called temporary setbacks. They have not only lost the votes of part of the electorate, their mass base is threatened with disintegration. The structural crisis, the change in the composition of the army of labor and the offensive of the forces of the right have disrupted traditional relations with the working class and the unions. If we return to the example of Britain, at the 1982 General Election the worker vote—for the first time since the war—was split evenly between the Conservatives and the Labor Party (37 percent each) (22).

It is significant that in the search for analogies to the present situation in the workers movement many experts are looking a long way back and turning to the period between the wars. The new strategy of the ruling class, in its conservative version at least, sets as its goal a sharp change in the correlation of forces between labor and capital and the repulse of the beachheads won by the workers movement since the war.

The neoconservatives' antiworker policy needs to be seen in the overall context of their activity. The strength of their position is that in response to the crisis of structures they have offered a consistently bourgeois alternative to the bankrupt strategy of reformism. In accordance with capitalism's "genetic code," they have endeavored to purge society of "foreign matter" and rebuild life on a "purely bourgeois" basis. Granted all the utopian nature of such a program, it has afforded capital the opportunity of seizing the initiative.

Various aspects of the activity of the neoconservatives are illustrated far from identically in our literature. Much has been written about the privatization of the economy, stimulation of capital accumulation, the lifting of restrictions imposed by government regulatory activity and the accelerated modernization of production. The conservatives' social policy has been far less fortunate. Attention here has been concentrated on the "cost" of the structural reorganization: the growth of unemployment, the pauperization of considerable numbers of the population and the appearance of a stable stratum of marginals. Those for whom conservative government is associated with material prosperity acquired following so much suffering and anxiety remain overlooked.

Having taken possession of the levers of state power, the right created most favorable conditions for the activity of capital. Business, which is sensitive to change, responded with an explosion of entrepreneurial activity. Whereas in the 1950's some 125,000 businesses were created annually in the United States, the figure was almost five times as large—598,000—in the first half of the 1980s. The number of "independent" (that is, not working for wages) producers in Britain increased from 1979 through 1986 from 1.8 million to 2.6 million. The number of newly established venture enterprises has risen in Japan in the last decade from nearly zero to 70,000-80,000 a year.

Of course, the bourgeoisie has benefited most from the boom of the mid-1980s. The number of millionaires doubled in the United States from 1981 through 1986, reaching 1 million. The number of millionaires in Britain increased 40 percent from 1982 through 1986.

But some things have fallen to the "middle class" also. At the end of last year approximately 30 percent of Americans owned stock directly or via special funds. From 1983 through 1987 family savings invested in stock increased threefold on average, from \$4,000 to \$12,000. As a result of a policy of selling off council housing at preferential prices the proportion of persons owning their own home increased from 52 to 66 percent in M. Thatcher's term in office. The number of shareholders has grown threefold, to 8.5 million, which constitutes 20 percent of the country's adult population. In the mid-1980s some 16 percent of Japan's population, 21 percent of Sweden's, were shareholders.

The tidal wave of economic upturn has engulfed considerable numbers of the working class also. In the new centers of business activity, in the thriving sectors and in occupations with a manpower shortage demand on the labor market is overtaking supply, earnings are rising and the workers feel quite confident. They wish to obtain their share of the pie and taste the fruit of prosperity earned by difficult labor.

Without changing the individual's position in society, the new forms of ownership are shifting the center of gravity of interests, channeling them toward individual well-being. They are creating a sense of social advancement and a feeling of belonging to a well-to-do circle. Thus Stan Smith, a boy from Georgia, invested his entire savings—\$12,000—in stock in the summer of 1987 in the hope, having become rich, of buying a house. "It was all new to me," he recounts. "I was the first in the family to go to college. I read the WALL STREET JOURNAL. And I had really learned to look after my money. I would quite often say to my girlfriend: 'If we do not go out to dinner anywhere, I will be able to purchase some more stock'" (23). The stock market crash of 19 October 1987 burst Stan's dream of fast and easy wealth, but has not killed off his desire to own shares.

S. Smith is far from being alone. So far from being alone that in the summer of 1987 the IRS introduced a special declaration for the payment of tax by adolescents in receipt of more than \$1,000 of income from invested capital. According to IRS figures, this category of future taxpayers numbers approximately 800,000 persons (24). The extensive spread of share ownership is having a profound impact on social consciousness and mentality. "Business has become popular," NEWSWEEK affirms. "Throughout Europe millions of ordinary people have acquired stock for the first time in their lives. In Great Britain shares are sold in department stores and airports. In France shareholder meetings are conducted in concert halls with music, smiling hostesses and a showing of slides. In Italy businessmen and industrialists have become media idols. The word 'profit,' which had for so long been an expletive in the majority of European languages, has acquired respectability" (25).

Conservative governments, parties of the right and the business world are encouraging the spread of individual ownership in every possible way, seeing this not only as a means of capital accumulation but also a powerful weapon of the political stabilization of society. "Our policy is to ensure that every income-earner become a property owner.... We are building a property-owning democracy," M. Thatcher declared in 1987 following the Conservatives' third successive general election victory (26).

The Conservatives' hopes of turning the new property owners who have tasted the fruit of the prosperity of the mid-1980s to the right are not built on sand. For example, Thatcherism has provided 38-year-old psychology lecturer H. Wheeler, who came to Great Britain 15 years

ago from Jamaica, with a new home and shares. "I vote Conservative," he says. "I have to protect my interests" (27). According to a poll conducted immediately following the general election in Great Britain (1987), 47 percent of those living in their own home voted Conservative (25 percent Labor), as did 56 percent of those who had in the preceding 4 years become shareholders for the first time (only 16 percent voting Labor). In the worker environment homeowners voted far more eagerly for the Conservatives than tenants (44 percent and 21 percent).

### III

The association of new strata of the population, including high-income detachments of the working class, with the movement of capital is increasing their interest in the uninterrupted functioning of the economic mechanism. In their eyes the guarantor of stability are the neoconservatives, who have known how to restart the motor of the capitalist economy. The linkage of the direct interests of substantial numbers of the population with the logic of capitalist accumulation contains the secret of the stability of the political influence of conservative forces and its spread beyond the confines of the traditional electorate of the right. Seeing no real alternative, the conservatives are supported by many workers also. For example, 42-45 percent of the electorate from the families of union members voted for R. Reagan at the 1980 and 1984 presidential elections. The proportion of industrial workers supporting the LDP in Japan increased from 29 to 46 percent from 1976 through 1982. They see private interest and capital, the plenipotentiary representatives of which are the neoconservatives, as the force capable of breathing new life into the economy and extricating society from the impasse of structural crisis.

The new political coalition created under the aegis of the neoconservatives is cemented by its counterpoise to the "failures," the marginals—those who have remained on the sidelines of the "prosperity" of the mid-1980s (28). Extensive use is made in Western scientific literature and current affairs writing at the present time of the "two-thirds society" concept imparting a quantitative determinateness to the "general prosperity concealing persistent poverty" (29).

The neoconservatives are not attempting to ease the social inequality inherent in capitalism but are intensifying it rather. The policy which they are pursuing is intensifying the division of society along different lines, counterposing poor and rich, working and unemployed, one's "own" and "foreign" workers, those with a promising specialty and those employed in an outdated industry, areas of prosperity and decline and so forth. In establishing their system of values the neoconservatives are delivering a precision strike against the principle of proletarian solidarity. The ideological and political comminution of the opposition is enabling them to hold on to power even where they are in a minority.

Having seized the initiative, the neoconservatives are endeavoring to consolidate the new correlation of forces in the zone of developed capitalism. The LDP's big victory at the "dual" (that is, to the lower and upper chambers of parliament simultaneously) elections in Japan in the summer of 1986, the continuation of the conservative-liberal coalition in the FRG following the elections at the start of 1987, the defeat of forces of the left at elections in France, Italy and Portugal in 1986-1987 and the shift to the right in these countries' domestic political life point to the spread of neoconservatism in breadth and the homogenization on a right-wing basis of the political structures of the capitalist world (it has to be observed that neoconservatism has, for all that, not succeeded in establishing itself as the undividedly predominant direction of the political development of capitalism in the 1980s. Despite its defeats, social democracy remains a real rival of the conservatives in the struggle for power. Socialist and social democrat parties hold the reins of government in Sweden, Norway, Spain, Greece and Australia and, since May 1988, in France).

The general offensive of the right has unfolded not only in the economic and political spheres. The "conservative wave" has changed the ideological and psychological atmosphere in the Western world. Left and democratic ideals have grown dim. Egotistic goals have supplanted collective social projects. The thirst for "law and order" has intensified, nationalism and chauvinism have been invigorated and the interest in religion has grown. A clamorous group of ideologues openly preaching social inequality has come to the fore.

At the same time the general direction of ideological evolution and the main trends of the development of the political consciousness of the masses cannot be equated. Attention is called primarily to the fact that the neoconservatives' assumption of office has not been accompanied by as abrupt a shift to the right in the consciousness of the masses. This means that voters supported the conservatives not from ideological but political considerations, seeing them as the force capable of "restoring order". The general contours of the "conservative wave" have concealed a big "gap" in the ideological-political positions of the neoconservatives and their mass base, particularly on socioeconomic issues. As G. Diligenskiy rightly observes, "the movement to the right of the political behavior of some working people is by no means tantamount to an actual transition to positions of conservative-bourgeois ideology" (30).

The ambiguity of the processes in the ideological and political life of present-day bourgeois society points to the absence of some fatal predetermination of the victory of the forces of the right. All was decided in the practice of social struggle. A most important ingredient of the neoconservatives' success was the weakness of the alternatives counterposed to them. Having failed to withstand the heavy press of the right, the center and left-reformist forces retreated to a deep defense. They were

able to counterpose little to the open offensive of capitalism, particularly in the economic sphere. After more or less prolonged search and vacillation accompanied by an internal struggle, center and social democratic governments have adopted many elements of the neoconservatives' socioeconomic policy.

It is hard to correctly appreciate the scale of the problems which today confront the workers movement in the zone of developed capitalism if account is not taken of one further most important aspect of the structural crisis of the 1970s-1980s. It is a question of the transition to a new model of economic development, a transition which has accelerated sharply under the influence of the crisis processes. The well-known American futurologist and author of the bestsellers "Megatrends" and "Corporate Restructuring," G. Naisbit, says: "We are moving rapidly toward a system of global economy, away from the old industrial base toward an information economy" (31). A similar viewpoint is expressed in Soviet literature also.

Trying, nonetheless, to avoid extremes in the struggle with the working people, the bourgeoisie is putting the emphasis increasingly on an increase in relative surplus value by way of the increased efficiency of the economy. Taking advantages of the achievements of the S&T revolution, it is seeking new engineering and organizational solutions. Neoconservative government has created the optimum conditions for modernization of the economy. Capital has responded with an emphatic break with the evolved forms of production activity.

Looking back, it may be said that the crisis of the structure of capitalist accumulation has not always been connected with transition to a new model of development. For example, the foremost capitalist states (the United States, Germany, France) emerged from the protracted depression of the 1870s-1890s by way of the creation of heavy industry and the transfer of the national economy to an industrial footing. For a century, despite the structural crisis of the period between the wars, industry has been the backbone of the economy. But the present structural crisis has called in question the leading role of industry in the national economy. Specialists are defining variously the characteristic features of the economic development model which is taking shape. But granted all the difference of opinions and judgments, a common understanding of the historic nature of the changes which are taking place is showing through.

The rebnewal of the economy is leading to the rapid depreciation of accumulated capital, clearing the way for entrepreneurial activity. It is creating the deep-lying prerequisites for the explosion of entrepreneurial activity mentioned earlier. Requiring vast sums, it is compelling the mobilization of resources and the accumulation of capital for a new round of development. A wide range of means is being employed for this purpose: from the

"cheapening" of manpower through the creation of various forms of the working people's interest in the growth of the efficiency of the economy.

The profound transformations in the economic foundation of society are changing its social structure, the character of the classes and strata and relations between them. The structural crisis and the technological restructuring of the economy have accelerated sharply the process of transformation of the ruling class and changed the relative significance of its various components. In terms of the strength and intensity of the process of the formation and growth of fortunes the 1980s are among the most "high-yield" periods in the history of capitalism. As before, the accelerated accumulation of capital is infusing new blood into the bourgeoisie and strengthening its positions.

The working class is renewing itself no less radically. Millions of jobs in the steel, shipbuilding, auto manufacturing, coal-mining and other old sectors of industry have been done away with in the leading capitalist countries in the 1980s. At the same time, however, new vacancies are opening up in science-intensive production and services. Mass unemployment is combined with a shortage of skilled personnel in the rapidly developing new sectors. The changes in the structure of the working class are so significant that its traditional nucleus—the industrial proletariat—is gradually losing its central position in the labor world.

It is significant that in evaluating the scale of the changes occurring in the main classes of bourgeois society Soviet experts are frequently turning to the turn of the century, that is, to a period when the industrial model of the economy had finally taken shape. The crisis of this model and the transition to new methods of production are undoubtedly changing the social portrait of society. Even now, in the initial phase of the process, a profound differentiation of the working class is under way and a mass of intermediate, transitional social groups which do not lend themselves to precise definition is appearing. The increase in the heterogeneousness of the working population and the objective contradictions of the interests of its various components are weakening class solidarity and facilitating the splittist maneuvers of the bourgeoisie.

The history of the international workers movement shows that it does not develop in a straight line, from one victory to another. Upturns are replaced by declines, and periods of "Sturm und Drang," by a strategic retreat. In defending the interests of the man of labor it inevitably comes into conflict with the logic of capitalist accumulation, and when a "time of lean kine" comes, these clashes assume the nature of acute confrontation. In a complex interweave of antagonistic contradictions and common interests the dynamics of the struggle of the proletariat are connected with the movement of capital

and, in turn, are a most important factor of economic life. This relationship would seem obvious enough in the postwar development cycle, in any event.

Although historical analogies require caution, a digression into the past could prove useful for an evaluation of the present prospects of the workers movement in the zone of developed capitalism. In the period between the wars the defeats of the working class were, by and large, considerably more telling than in the past decade. As the American experts G. Arrigi and B. Silver observe, the 1920s-1930s were everywhere a time of retreat and, in a number of cases, defeat for the organized workers movement (32). But they did not break its will to fight. In the mid-1930's even, that is, before capitalism had emerged from the structural crisis of the period between the wars, an upsurge of the worker and democratic movement had begun in a number of countries.

At the present time there is reason to believe that the period of retreat of the workers movement is coming to an end. At the start of 1988 the Italian Communist Party concluded that "...many signs point to a decline in the conservative wave, which has for a decade determined the economic, political and social life not only of Italy but of the whole of the West also" (33). Even where the correlation forces is particularly inauspicious for the workers movement a trend toward a stabilization of the situation may be observed. In the United States, for example, the outflow of working people from the unions has been reduced sharply (34). Positive changes have shown through also in political organizations of the working class. Social democracy is restoring its positions, preparing for a new round of the struggle for political power. The communists are learning lessons from what is happening.

A most important lesson, evidently, is the fact that at the end of the 20th century the workers movement is having to operate in a new, largely unfamiliar world. The development of the S&T revolution is rapidly changing production and consumption, the social structure of society, lifestyle and methods of political activity. Particularly profound changes are occurring in the composition of the working class and its consciousness and behavior.

The historic scale of the problems facing the workers movement requires an adequate response. Much will now depend on the subjective factor and on the movement's capacity for being equal to the demands of the times.

#### Footnotes

1. See V.I. Lenin, "Complete Works," vol 41, pp 40-41.
2. V.I. Lenin, "Complete Works," vol 18, p 345.

3. See, for example, B. Rasin, "Structural Crises of Present-Day Capitalism" (MEMO No 10, 1983); S. Menshiko, "Structural Crisis of the Capitalist Economy" (KOMMUNIST No 4, 1984); A. Belchuk, "The 1970's and the Start of the 1980's in the Economic Development of Capitalism" (RABOCHIY KLAS I SOVREMENNY MIR No 4, 1984); V. Kuvaldin, "Structural Crisis and Sociopolitical Polarization in the Capitalist World" (KOMMUNIST No 14, 1984); G. Pirogov, "Capitalism in the Labyrinths of Structural Crisis" (RABOCHIY KLAS I SOVREMENNY MIR No 3, 1985).

4. MEMO No 9, 1987, p 50.

5. See RABOCHIY KLAS I SOVREMENNY MIR No 1, 1986.

6. See "Present-Day Capitalism: Surplus Value, Profit, Interest," Leningrad, 1985, pp 106-121; AMERICAN ECONOMIC REVIEW, May 1980, p 32; J. Mazier, M. Basle, J.-F. Vidal, "Quand les crises durent....," Paris, 1984, pp 202-204.

7. A. Poletayev, "Long-Term Trends of the Change in the Rate of Profit" (MEMO No 8, 1986, p 30).

8. See A. Veber, "Class Struggle and Capitalism," Moscow, 1986, pp 257, 260.

9. See MEMO No 10, 1986, pp 150-153.

10. NEWSWEEK, 16 February 1987, p 36.

11. See, for example, K. Marx and F. Engels, "Works," vol 29, pp 293, 166-167; V.I. Lenin, "Complete Works," vol 15, pp 234-235; vol 22, p 232.

12. Back at the start of the 1970's two British authors were writing: "We believe that British capitalism has suffered such a dramatic decline in profitability (production) that it is now literally fighting to survive" (A. Glyn, B. Sutcliffe, "British Capitalism. Workers and Profits Squeeze," London, 1972, p 10).

13. In the 1980's some 80 percent of American millionaires were persons who came from the middle strata and worker families (see U.S. NEWS AND WORLD REPORT, 13 January 1986, p 44).

14. As I. Gorodetskaya observes, "the Thatcherites advocated the restoration of the true values of British society, among which they ranked courtesy, self-reliance, individual success, toughness in respect of idlers and nationalism" (see MEMO No 6, 1986, p 105).

15. NEWSWEEK, 25 July 1983, p 11.

16. "The Conservative Manifesto," London, 1979, p 14.

17. U.S. NEWS AND WORLD REPORT, 26 October 1987, p 42.
  18. TIME, 19 December 1983, p 40.
  19. See "America in Perspective," Boston, 1986, p 204.
  20. TIME, 7 September 1987, pp 29, 30.
  21. LABOUR RESEARCH, January 1986, pp 14, 15; June 1986, p 24.
  22. N.M. Stepanova, "British Neoconservatism and the Working People," Moscow, 1987, p 182.
  23. TIME, 2 November 1987, p 21.
  24. NEWSWEEK, 20 July 1987, p 32.
  25. NEWSWEEK, 31 August 1987, p 30.
  26. TIME, 22 June 1987, p 15.
  27. NEWSWEEK, 15 June 1987, p 11.
  28. For more detail see V. Lyubimov, L. Solovyev, "Poverty in the 'Rich' Capitalist Countries" (RABOCHIIY KLAS I SOVREMENNYIY MIR No 1, 1987, pp 156-167).
  29. NEWSWEEK, 24 August 1987, p 41.
  30. RABOCHIIY KLAS I SOVREMENNYIY MIR No 1, 1984, p 32. For a broad panorama of ideological and political processes in the capitalist world see K.G. Khodkovskiy, "The Ideological Struggle and the Workers Movement in the Zone of Developed Capitalism" ("The Working Class in the World Revolutionary Process," Moscow, 1987, pp 88-121).
  31. SSHA—EKONOMIKA, POLITIKA, IDEOLOGIYA No 5, 1987, p 59.
  32. "Labor in the Capitalist World Economy". Edited by C. Bergquist, Beverly Hills, 1984, p 185.
  33. L'UNITA, 8 January 1988.
  34. In 1984 America's unions lost 377,000 members, in 1985, 344,000, in 1986, 21,000.
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"Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1988

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**Restructuring, 'Fear of Force' Policy Viewed**  
*18160010z Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 6, Jun 88 (signed to press 17 May 88) pp 55-57*

[Article by G. Diligenskiy: "On the Benefits of Clarity—spacing between letters of words as published]

[Text] The development of a new political thinking calls for clarity with respect to the basic goals of our domestic and foreign policies and their ideological and theoretical foundations. Evidently, it was precisely this need for clarity that called forth criticism of the well-known theoretical formulation "peaceful coexistence is a form of the class struggle."

The formulation, which arose during the course of heated debate with the Maoists (who maintained that peaceful coexistence was tantamount to the betrayal of the class interests of the proletariat), turned out to be truly ambiguous. The "addressees" of our policy of peaceful coexistence are states in which the bourgeoisie is in power, and the class struggle, if the word means anything at all, can only be directed against the very same bourgeoisie. In recent scholarly articles (for example, the article by E. Pozdnyakov in MIROVAYA EKONOMIKA I MEZHDUNARODNYE OTNOSHENIYA, No 5, 1988), it has been rightly noted that peaceful coexistence and the class struggle apply to different spheres of sociopolitical life: The first applies to international relations, relations between states, and the second applies to class relations within a capitalist (or transitional) state. The transfer of problems and processes that are characteristic of one sphere to the other sphere inevitably leads to confusion with regard to theory and policy.

Of course, in real life, peaceful coexistence corresponds to the interests of the class struggle being waged by the workers class and other anti-imperialist movements. The prevention of a thermonuclear catastrophe constitutes the supreme and most vital interest of this class. Peaceful coexistence creates favorable conditions for the comprehensive advancement of socialism, and, as a result, for the realization of the socialist ideals of the workers' movement. A successful struggle for peace strengthens the position of progressive, democratic forces and helps them to isolate imperialist reactionaries. However, it is wrong to oversimplify the fairly complex nature of the interconnection between the struggle against capitalism and the policy of peaceful coexistence or to treat them as identical.

It is easy to understand why this formulation suits our enemies abroad, those who call on people not to believe in the "peace-loving Soviets." And, if it is set alongside N.S. Khrushchev's phrase "we will bury you," it is easy to prove that peaceful coexistence is nothing more than an insidious instrument for the "expansion of world communism."



But why some of our fellow countrymen do not want to abandon this formulation is a more complicated matter. I think that there are essentially two different sets of motives at work here. On the one hand, there are the opinions of those who fear that a renunciation of the class struggle in the world arena would lead to a betrayal of revolutionary principles and to a weakening of the anti-imperialist orientation of our policy.

We can remind those who entertain similar fears that, according to Lenin, socialism's main and decisive contribution to the revolutionary process is the power of attraction of the example of socialism. Today, more than ever before, it has become clear that until socialism demonstrates its superiority to capitalism in all spheres of public life—economic and social, material and spiritual, and in the field of democracy and freedom for individual development—one can scarcely expect a mass struggle for socialism to be launched in the capitalist countries. However, it can only demonstrate its superiority through peaceful competition with capitalism.

At the same time, a policy course geared toward peaceful coexistence does not in any sense mean being indulgent with respect to imperialist policy. Repulsing the aggressive acts of imperialism, including the export of counterrevolution, remains an important foreign policy course for the socialist countries. But, under present-day conditions, the concrete form that such efforts to repulse aggression take should correspond to the supreme, universal interests of mankind, with the task of preventing thermonuclear war. It is one thing to perceive the reality of the struggle between conflicting class interests in the world arena and quite another thing to view the policy of peaceful coexistence as an instrument (or "form") of this struggle. A position of this kind is tantamount to a repudiation of the goals of the policy—the securing of lasting world peace and making the antagonism that exists between opposing social systems irreversibly assume the form of peaceful competition between them.

An entirely different set of motives can also be perceived in attempts to defend this kind of position, although it is true to say that they are not expressed openly and are concealed in what are meant to be "class" approaches. Essentially, they express nostalgia for the period of the personality cult and hostility toward the revolutionary renewal of our society.

The foreign and domestic policies of any state are interrelated. This is completely applicable to the course of Stalin's foreign policy. There are also quite a number of "blank spots" in this area, which need to be filled in by historians. However, the contradictory nature of this foreign policy course is apparent even today. Soviet foreign policy in the postwar period contained assets such as the unmasking of warmongers, the struggle to ban nuclear weapons, and efforts to prevent the "cold war" unleashed by imperialism from being turned into a hot war. However, what the policy lacked was a genuine interest in diminishing international tension and an

alternative to the pursuit of policy "from a position of strength." It was more the case that Stalin needed this kind of tension to support his authoritarian and repressive power within the country and to spread it to other socialist countries. This is why the anti-Sovietism displayed by the ruling circles in capitalist countries was answered with heightening hostility toward the West. Similar factors sharply reduced the activeness and consistency of the policy of defending peace and diminished its effectiveness.

During the postwar period, the patriotism of the Soviet people and their national pride, which grew out of the victory over fascism, were exploited to glorify Stalinist power. The might and greatness of the state was transformed from being a means to realize the ideals of socialism into the goal itself. "Great power" logic supplanted genuine class-oriented internationalist values and provided a justification for violations of the elementary principles of socialist national relations and the use of terror against entire peoples. It concealed a departure from the truly socialist goals of state policy, such as an increase in the well-being of the working people and the development of democracy. All this could not leave the state's foreign policy untouched.

The Stalinist regime could not exist without an external and internal enemy to instill fear in its own and other peoples. This is precisely the political ideal of the notorious antirestructuring manifesto published by SOVETSKAYA ROSSIYA. It is no coincidence that the author substituted a very dubious interpretation of the state as an "organ of the international workers class that stands in opposition to world capital" for the theses of the international class ties of the socialist state. This is simply "playing into the hands of" anti-Soviet propaganda: After all, if we follow N. Andreyeva's example and declare that our state is by no means just the organ of our own people, we in effect accord it the right to spread its power beyond the bounds of its own borders.... She also looks for internal enemies: The remnants of the exploiting classes who, by some miracle, have survived for 70 years after the revolution and "counterrevolutionary nations" that are allegedly developing in a multinational socialist state! As for the brazen cynicism with which similar "ideas" are ascribed to...Marx and Engels, it can only leave one reeling.

It is completely natural that the champions of such an ideal are least of all interested in what the people, the working people, gained from the policies of the leader who embodied that ideal. They call on people to respect Stalin as some kind of Peter I and are to be moved by the fact that even Churchill is supposed to have wanted to "stand to attention" in his presence.

A genuine and consistent policy of peaceful coexistence does not mean peace based on fear of force. The goal of such a policy is not only to prevent the threat of a thermonuclear war. It is to make such a war impossible



and to develop international relations based on cooperation and mutual trust that would contribute to economic and social progress. Confidence, not fear, should be instilled in the peoples of the world by our state and its policy, which is inspired by the ideas of a nuclear-free world, glasnost, democracy, and national equality. The more fully we rid ourselves of the complex of confrontation based on strength in international relations, and of the sophistic formulations that bolster it, the sooner we will achieve this goal.

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"Mirovaya ekonomika i mezhdunarodnyye otnosheniya." 1988

### **Russian Orthodox Church's Peace Efforts Detailed**

18160010e Moscow MIROVAYA EKONOMIKA I  
MEZHDUNARODNYE OTNOSHENIYA in Russian  
No 6, Jun 88 pp 70-80

[Article by Metropolitan Filaret of Minsk and Belorussia, permanent member of the Holy Synod, chairman of the Moscow Patriarchate Foreign Relations Department: "The Russian Orthodox Church and Its Foreign Relations"]

[Text] The christening of Rus, which by Divine Providence was accomplished 1,000 years ago by the holy equi-apostolic great Prince Vladimir and which predetermined the further destiny of our fatherland, is an event of permanent historical significance. Having illumined with the light of Truth and introduced to Christ our forefathers and fathers, it inaugurated the historical existence of the Russian Orthodox Church, which has for 10 centuries now been nursing toward salvation its faithful offspring, who all—regardless of differences of origin—are "one in Christ Jesus" (Gal., 3, 28). The adoption of a common faith contributed to the creation of the origins of Russian statehood on the basis of the ethical evangelical principles and promoted the formation of Russian national self-awareness and molding of the Russian national character.

Having become Christian and having undergone a kind of ordination, Ancient Rus was introduced to the circle of great Christian powers and acquired the opportunity to take in the splendid achievements of Byzantine and, in general, European culture. Having become an equal participant in the world cultural and historical process and not having forfeited its national distinctiveness, it made a fitting contribution to the treasure house of European and world civilization.

Performing its divinely ordained mission of salvation, the Russian Orthodox Church has throughout its millennial existence labored zealously for the good of God's people predestined by the Lord to spread the tidings of evangelical truth. Being the flesh of the flesh and blood

of the blood of its people, the church displayed constant concern for the showing forth everywhere of piety in Russian society and the church's moral and patriotic education thereof.

Abiding by the principle that the good of its people cannot be served by immoral means, the church aspired in every possible way to the affirmation also in relations between peoples and religious beliefs of the ideals of peace, fraternity and justice foreordained by the Gospels.

Abiding by the apostolic behest that in Christ there is no Greek and Jew, no barbarian and Scythian, the Russian Church looked on all peoples as co-inheritors of the common Divine Grace. All this contributed to the formation in Rus of a just and sympathetic attitude toward all peoples and deferential respect for their culture and traditions.

### **I**

Rus' acceptance of Christianity was providentially a natural historical phenomenon. By the end of the first millennium of our era Christianity had encompassed the greater part of Europe. But Rus was entrusted with a special historical mission: taking the place of dying Byzantium, it was called on to be the connecting link between the cultures of East and West.

In its endeavor to make the Russian nation Christian, cultured and educated the Russian Church did not, with its inherent sense of involvement in universal history, separate itself from the unity of all mankind.

Ecclesiastical literary texts reflect the breadth of the people's historical imagination and the wealth of their spiritual forces in conformity with the moral ideals proclaimed by the church and subjoined to the creation of relations with all peoples on new, more humane principles.

Russian epic poetry and Russian historical tradition enabled the writer of the first chronicle, the Venerable Nestor, to recreate a picture of the past Russian land going back several centuries. But it was given to the annalist not only to describe the past but also interpret it: henceforward the history of the Russian state was perceived as a part and continuation of world history. Rus recognized itself as being immersed in the stream of eventful world historical existence.

The idea of the equality of the peoples, which was strikingly reflected in a splendid monument of the Kiev period—Metropolitan Ilarion's "Sermon on Law and Grace"—amazingly anticipates a problem of particular significance in contemporary times. This idea contrasts sharply with medieval theories of national exclusiveness.

The establishment in Rus of Christianity signified a fundamental break with the old culture in all spheres. The development of a written language and education and the rapid burgeoning of literature and art testify that the elements of Christian-Byzantine culture fell on prepared and fertile ground. The church hastened the state development of Rus and strengthened and made permanent its contacts with Byzantium and the Central European states.

Against the historical background of the 11th-12th centuries Russian national consciousness was characterized particularly by a heightened sense of involvement in world history and a search for its place therein. In this situation Venerable Nestor, a monk of the Monastery of the Caves, revised the Primary Chronicle of 1095 and with the enlistment of Byzantine historical material created the new annalistic collection—the "Tale of Bygone Years". Nestor linked Russian history with world history, brought Rus into the world historical arena and made her a participant in the cultural and historical fate of the era. Nestor was the first in Russian history and in the history of the Slavonic peoples generally to defend the idea of pan-Slavonic unity: "for there is one Slavonic language; and the Slavonic language and the Russian language are one."

The spread of chronicle writing in the 12th and 13th centuries testifies how strong and universal in Rus was the aspiration to a historical comprehension of events. The tales of the chronicles are full of dramatic details, accurately convey the content of the negotiations and speech of princes and emissaries and are suffused with the diplomatic terminology of their time. The works of Metropolitan Ilarion, the Venerable Nestor and Vladimir Monomakh and the annals and lives of saints glorified by the church create a solemn and heroic image of the Russian land—a mighty and vast power known in all countries of the world. In the "Lay of Igor's Campaign," the brilliant literary text of Ancient Rus, the author does not separate the Russian land from the environment of the peoples surrounding it. As if in a presentiment of the danger coming from the East, the "Lay" called for the country's political unity.

Given the absence of a single centralized princely authority, the church with its system of organization remained the principal factor of Rus' unity. The church's mission had a lofty patriotic purpose. In the second quarter of the 13th century, at the time of the dread invasion of the Tatar-Mongol conquerors which had befallen Russian land, the church was the spiritual and moral pillar of Rus.

The church's role in the preparation for the accomplishment of the great national exploit—the casting off of the Horde's yoke—consisted of elevation of the culture and national self-awareness of the Russian people and the appeal for comprehension of Rus' historic calling. St Sergius blessed the great Prince of Muscovy, Dmitriy, at the battle with the Horde and prior to the Battle of

Kulikovo addressed to the Russian troops an inspiring patriotic appeal. In the consciousness of generations Kulikovo Field became a symbol of Russian valor and glory and at the same time grateful acknowledgment of the historic contribution of the church and its patriotic services.

The victory, whose echo was heard in Europe and Byzantium, was of world-historical significance. Contemporaries of the event understood the historic consequences of this event for the fate of Europe. At a price of the greatest sacrifices Rus had saved the states of Europe, shielding them against Mongol-Tatar invasion.

The historical course of Russian ecclesiastical life acquired its consummation with the establishment in Russia at the end of the 16th century of the Patriarchate. It contributed to the strengthening of the Russian Church's ties to the Orthodox East and Slav countries and elevated its ecclesiastical and international authority.

The time of troubles (start of the 17th century) brought the patriarchs to the forefront of Russia's political life. The patriotic activity of Patriarch Job and the holy martyr Patriarch Yermogen and the valorous stand of the Trinity-St Sergius Monastery at the time of its 16-month siege by the interventionists were an example to the people which inspired them to liberate their native land from the foreign aggressors.

In Russian history the 17th century is notable as the "age of the establishment of the sciences in the Russian capital". The first higher ecclesiastical school was founded in Rus in 1685 in Moscow. The Slavonic-Greek-Latin academy was by the very course of history predestined to become the center of spiritual enlightenment and diverse education in the vast and multinational Russian state. This school "of all free studies from elementary grammar even through theology" became a higher general educational institution for all classes and the first Russian university. Together with the most important leaders of the Orthodox Church many prominent figures of Russian science and culture came from the academy. The great Russian scientist M.V. Lomonosov was studying in the academy at the start of the 1730s.

In the synodal period, which began in the reign of Peter the Great, the Russian Orthodox Church continued to perform the service of salvation with which it had been entrusted, displaying the fruits of its multifaceted activity, of great use to the fatherland, supporting the moral principles of the life of the people and creating and making a substantial contribution to the common treasure house of national and world culture. The Russian Church continued to develop contacts with the South Slav countries and the Orthodox churches of the East and to establish new ties to non-Orthodox churches. It treated respectfully all religions, nations and tribes

which were a part of Russia. Islam, Judaism and Buddhism traditionally enjoyed the special privileges of foreign immunity for Orthodox Russian missionaries.

The 19th century is characterized by particular manifestations in the development of the Russian Orthodox Church's relations with various Christian churches and non-Christian religions. The Russian Church discovered and elucidated for itself the spiritual and moral values of the cultures of East and West and, seeing in them factors attending successes of its spiritual mission, considered its task their thorough and profound study. Ecclesiastical scholars, historians and missionaries made a considerable contribution to science which enriched national archaeology, history, social anthropology, Byzantine studies, Balkan studies and linguistics. The works of Russian missionaries contributed to the development of national oriental studies, sinology, Mongol studies and Japanese studies. Russian Orthodox missionaries created the written language and undertook the first translations of the Gospels into many languages of the peoples of our multinational fatherland. Having accomplished a synthesis of the achievements of European culture and the spiritual riches of Orthodoxy, Russia played the part of intermediary between East and West.

Without rejecting the idea of the creation of a culture common to all mankind, Orthodox Russian thinkers of the 19th century endeavored to combine East and West on the basis of Russian culture in its distinctiveness. Specifically, F.M. Dostoyevskiy understood and defined with striking percipience and brilliance the universal significance of the Russian people's "gift of pan-humanity": "The purpose of Russian man is undoubtedly all-European and universal. Being a real Russian, being fully Russian, means only, perhaps, being a brother of all people, everyman, if you wish. Is it not Russia's mission to bring reconciliation to European contradictions and finally point to the end of European anguish in its Russian soul, pan-human and all-binding, and to accommodate therein with fraternal love all our brethren and ultimately, perhaps, utter the final word of great general harmony and the fraternal ultimate accord of all peoples in accordance with Christ's evangelical law."

The sympathy of the Russian Orthodox Church for the fraternal Slav peoples under the conditions, in which they had no rights, of Ottoman oppression was expressed most clearly in the 19th century. The Russian Orthodox Church rendered the Slavs the most active material assistance and moral support. In the war to liberate the Balkan peoples from the centuries-old Turkish yoke the Russian Church took a most lively and active part.

World war, which was a terrible calamity for the peoples of the world and Russia, thundered out in 1914. In the period of historic trials which ensued the Russian Church did not remain aloof from the far-reaching events. The fate of peoples was being decided and the channel of the world's future development being determined. Via the greatest upheavals and in the feverish

exertion of the forces of individual people and whole nations mankind was striving to find a solution of urgent political and social problems. The foundations of the old world collapsed in the turbulent maelstrom of the events of all-European war, revealing the prospects of universal historical development. The former life had departed never to return, giving way to a largely enigmatic new life. A far-reaching historical turning point, the meaning and dimensions of which it was difficult for the human mind to grasp, had been accomplished in the destiny of the world. The immensity of the events pushed into the background and eclipsed man the individual.

## II

The Great October Socialist Revolution accomplished in Russia was a very great event in world history. A new, Soviet, Russia was formed. The revolution brought its peoples broad democratic rights and freedoms, including freedom of belief. In its foreign and domestic policy the Soviet state set such highly humane tasks as the achievement of general peace between the warring powers and the social improvement of the country on the basis of radical changes in all spheres of economic and cultural life. By the course of historical development the Russian Orthodox Church was for the first time in history realizing its existence in a new social context, within the framework of a new social and economic formation and under the conditions of the building of socialism. It labored for the salvation of God's people entrusted and faithful to it and made its contribution to the creation of the common welfare of all the people. In this period the church declared by word and deed its sincere and honest recognition of the new state system and patriotic loyalty to the Soviet motherland.

In all its history of many centuries the Russian Orthodox Church had not before taken such an extensive and inspired part in solution of the vital and urgent tasks confronting the country and all peoples of the world as at the time of the Great Patriotic War and in the postwar period. The patriotic message "To the Pastors and Flock of Christ's Orthodox Church" of the head of the Orthodox Church in Russia, the Patriarchal Locum Most Blessed Sergey, Metropolitan of Moscow and Kolomna, sent on the first day of the war to the parishes of the Russian Orthodox Church called all to the defense of the motherland.

The bestial cruelties and horrors of fascism, "which had become accustomed to desecrating the high demands of honor and morality," were obvious confirmation of the fact that at critical moments of its history mankind has time and again to fight for the moral principles and ideals which would have seemed to have been long since firmly won. "The times of Batu, the Teutonic Knights, Charles XII, Napoleon are being repeated..." Most Blessed Metropolitan Sergiy wrote. By his inspired patriotic message the Russian Church on the very first day of the Great Patriotic War declared solemnly and publicly

its inseparable historical ties to the fate of the motherland and, by virtue of its primordial moral authority and right, blessed with heavenly benediction the impending nationwide exploit. Metropolitan Sergiy pointed to the valor of the Orthodox commanders, the national heroes and leaders of Russia, Aleksandr Nevskiy and Dmitriy Donskoy, and called on all their illustrious descendants—his contemporaries—for a self-sacrificial stand for the fatherland. "It is not the first time," the message said, "that the Russian people have had to withstand such trials. With God's help they will on this occasion also scatter in the dust the fascist enemy force." Thus the patriarchal locum expressed unshakable faith in the coming victory over the enemy and prophetically predicted the complete rout of fascism, which provided for the liberation from fascist tyranny of numerous subjugated peoples of Europe.

During the war the Russian Orthodox Church developed extensive charitable activity. Church communities and individuals began collections for the defense fund. With the blessing of Metropolitan Sergey believers collected over R8 million to equip the Dmitriy Donskoy Armored Column, which fought valiantly against the enemy, driving him out of our motherland and bringing liberation to the peoples of Europe.

The church collected and contributed to the Victory Fund \$300 million. But its assistance to the motherland cannot be calculated from this figure alone. The church prayed for heavenly assistance for the fatherland. It was always with the people and inspired them to valiant deeds. Millions of ordinary believers forged the victory in the labor exploit, created a powerful industry, defended the cities, put up defensive fortifications and fought on the battlefields.

The international activity of the Russian Orthodox Church in the war years and its appeals to the fraternal peoples for solidarity in the struggle against the common enemy were a most important aspect of its patriotic service and its contribution to the victory. A success of the Russian Church's international activity was the achievement of complete solidarity with it on the part of Christians not only of the East but also of the West, the United States, France and Britain, for example. The patriotic Russian religious leaders in Western countries, which called on the Russian community to render the motherland fighting fascist Germany active assistance, contributed to this also. In the message "To All Russian People in America" of 16 October 1942 Metropolitan Veniamin, Exarch of the Moscow Patriarchate in North America, called on everyone to help Soviet Russia with cash contributions and to pray for the Russian people's victory over the enemy. The Russian exarch was honorary president of the Russian-American "Aid to Russia" Committee, which had been organized in the United States as a public body for assisting an allied people.

The patriotism inherent in the Russian Orthodox Church since time immemorial and its love for the fatherland, whose interests and dignity it has always

ardently championed, were revealed in full measure and with genuine nobility and grandeur in the Great Patriotic War. The patriotic activity of the Russian Church served the might, honor and glory of our motherland and the welfare, freedom and independence of peoples of the world.

Nine May 1945 was a day of nationwide rejoicing and celebration. The Russian Orthodox Church gave thanks to the Lord God for His assistance in the long and cruel war and for the great victory bestowed on the fatherland and prayed for the eternal repose of the heroes who died for the motherland.

Welcoming the onset on Earth of general peace and expressing the profoundest cherished aspirations of all people, His Holiness the Patriarch Aleksiy wrote: "A new era in the life of the peoples; a new page of world history; a new era of fraternity and peace throughout the world are beginning."

Under the conditions of the postwar situation which had taken shape the Russian Orthodox Church embarked upon a new period of multilateral foreign activity. Its basic content and main direction was the defense of peace and international security. The Russian Orthodox Church is performing constant work on strengthening peace between peoples within the framework of world, all-union, Christian, ecclesiastical and interreligious organizations. In the decades which have elapsed since the war the Russian Orthodox Church has initiated and participated in numerous highly representative and authoritative peacemaking forums which have elicited the most extensive positive comment worldwide.

A most important aspect of the foreign activity of the Russian Orthodox Church in the new period is the struggle for just relations between peoples. The church has always raised its voice in support of the national interests of all peoples in their aspiration to freedom and independence, each time condemning such phenomena of international life as aggression, the oppression of defenseless peoples and the infringement of national sovereignty.

Throughout the past two decades the Russian Orthodox Church has directed its efforts toward a relaxation of international tension in the world and advocated a ban on the growth of nuclear and conventional arms, the complete prohibition of nuclear testing, strategic offensive arms limitation and, finally, the elimination of nuclear weapons by the year 2000.

### III

The Russian Orthodox Church sees it as its religious duty to spare no effort for preservation of the sacred gift of life and the salvation of our planet, ancient, but constantly transformed by human genius and labor. Peace must be man's natural state. The interior of the Earth, the ocean depths and the firmament must not be

shaken by nuclear explosions. Not only must the testing of nuclear weapons be halted, they themselves must be destroyed. And we believe that by the 2,000th anniversary of Christ's birth the Earth will have been delivered of the pollution of nuclear weapons. And the military arsenals will become bare, and people will turn their swords into ploughshares.

It is our duty to unite in a common aspiration to peace in order to keep the heavens intact and create a new moral atmosphere, in which, we are convinced, the peaceful solution of all international problems and the truly fraternal cooperation of all peoples for the achievement of the cherished goal—the creation for man—the crown of creation—of a worthy way of life—will be possible. Divine Wisdom will lead and inspire us and give us strength.

Man has been commanded from on high: "Thou shalt do no murder" (Ex., 20, 18) and "Love thy neighbor as thyself" (Matt., 22, 39). These truly salutary principles of Christian morality embody the affirmation of the permanent value of the human individual—the basis of all human rights, the chief of which is the right to life. The initial motive of self-preservation is associated here with the motive of service of one's neighbor. It is proposed that it be extended to the whole world, to other people—the same God-created beings, concern for whom is implied as a condition of our personal salvation. For this reason it is rightly said that to whom people are not brothers, God is not the Father, and the Church is not mother.

The way of fratricidal wars is the way of Cain, by following which mankind not only distances himself from God and finds himself God-forsaken but brings down on himself the wrath of God.

God made man responsible for all that happens on Earth. The commandment given by God to the first people (Gen., 2, 16-17) defines man as a being of exceptional importance whose actions will have good or fatal consequences both for himself and his progeny and for surrounding nature.

God proposes that man choose life (Deut., 30, 19)!

Regarding life as the greatest divine gift, the Church of Christ is called on to be the restraining principle (II Thess., 2, 7) which could halt the suicidal spirit of nuclear devastation and bar the way to the nuclear apocalypse. Words of conciliation (II Cor., 5, 19) and exposure of the enemies of peace (Hab., 2, 12)—such is the church's social calling both formerly and now.

We consider with profound conviction unworthy and sinful for the consciousness of the Christian the preaching of "crusades" against the USSR, whose apologists forget about the unity of the human race (Acts, 17, 26)

and about the fact that everyone who hates his brother is a murderer (I John, 3, 15) and forget other words of the Lord also: "Depart from Me, ye evildoers. I never knew you" (Matt., 7, 23).

Nor must Christians forget that the preservation of peace is an essential condition and means for accomplishment of the lofty universal mission to which mankind, as the crown of creation, is called by God: "Fill the earth and subdue it" (Gen., 1, 28).

After every service the church prays that the Lord "grant Thy people peace," all people, all creation, and calls on its children to be faithful in life, in deed and in their behavior to the high Christian calling "for the Lord has called us to peace" (I Cor., 7, 15).

At the service in the Patriarchal Cathedral of the Epiphany in Moscow on 26 October 1986 His Holiness the Patriarch Pimen said in his address to those assembled: "The present times are particularly portentous for the Russian Orthodox Church for it stands on the threshold of its millennium. Filled with many centuries of experience of peacemaking service and true to its duty to distinguish the signs of the times (Matt., 16, 3), our church bears witness to the unprocrastinating need for the deliverance of mankind from nuclear weapons and calls on God's people to strive for this great goal. All steps, all efforts in this direction are blessed."

The Russian Orthodox Church was a founder of the Soviet Committee for the Defense of Peace and the Soviet Peace Fund. Representatives of our church have cooperated with the World Peace Council from the very start of its activity.

We are striving to overcome mistrust and suspicion in relations between peoples and states and to debunk and abolish the "enemy image". According to the prelate Ioann Zlatoust, uniting mutual antagonists is a great and marvellous thing, a sign of great strength. And we believe that by the Grace of God and the selfless efforts of people of good will peace on Earth will be preserved and that that time of grace when each man has a way of life worthy of his highest destiny will come.

Today the dilemma of "peace or war" means for mankind "life or death". We opt for life. But a choice in words is not enough. It is necessary to act for it is said: "Faith, if it hath no works, is dead" (James, 2, 17).

The message of the Holy Synod "War and Peace in the Nuclear Age" (February 1986) was a most important program document determining the peacemaking positions of the Russian Orthodox Church.

In recent years many Christian churches, religious associations and various ecumenical and peace organizations have drawn up and promulgated messages apropos the nuclear threat to peace. These documents testify to the community of initial Christian positions and, naturally,

lead to common conclusions. Nonetheless, each published document contains elements of distinctiveness conditioned by differences of faith and differences in theological and historical traditions, in sociopolitical situation and in an understanding of the realities of the modern world. Present-day reality demands the urgent adoption of measures which might ward off the nuclear danger from mankind completely.

The Soviet peace initiatives are scientifically substantiated, imbued with high moral purpose and are aimed at creating a new ethical climate in international relations and new political thinking incorporating a heightened sense of statesmen's responsibility for the fate of the world. These initiatives contain the call for the establishment and strengthening of trust in relations between peoples and states and the surmounting of the cliches of enmity and the counterpoise of countries with different social systems.

The arms race is not only bringing the world closer to possible nuclear catastrophe. It is even now one of the most terrible disasters which mankind has ever experienced. The sinful waste of forces and resources given to people by God for life and for their prudent use by human society stands out therein graphically. Pulled into this arms race, developing countries are being forced to increase arms spending while their peoples are suffering from starvation, disease and illiteracy. Thus instead of bread the man in need often receives a stone (Matt., 7, 9).

Christian peacemaking does not amount merely to struggle against war and the threat of war. Making peace means making a just world. And this includes a multitude of tasks in the social and political spheres. In addition to struggle against various injustices Christians are confronted with the task of establishing fraternity between peoples of the Earth.

There is no peace where oppression, scandalous material inequality and a consumerist attitude toward blessings and values common to all mankind exist. The church attaches great significance to social justice. "Let no one seek his own good, but the good of his neighbor," the Apostle Paul says (I Cor., 10, 24). The Apostle Peter appeals: "As each has received a gift, employ it for one another as good stewards of God's varied grace" (I Peter, 4, 10). Holy Scripture rings with the angry words of the prophets castigating the oppressors and subduers of the poor.

Since the time of the appearance of nuclear weapons the Soviet Union has persistently and emphatically supported their prohibition and complete elimination. And now, when the Earth is oversaturated with the most technologically refined types thereof, the USSR has put forward a profoundly substantiated and all-embracing program of their gradual complete elimination by the

year 2000—a year so portentous for us Christians, in which we will solemnly greet the bimillennial of the coming into the world of our Lord Jesus Christ.

An appeal was made to all Christians in 1977 at the "Religious Figures for Lasting Peace, Disarmament and Just Relations Between Peoples" world conference in Moscow on behalf of the Russian Orthodox Church for the initiation of preparations for this great and sacred event and the declaration of the time remaining before this triumph as years of peace, dedicating to them redoubled labors to strengthen peace between peoples. The years that have elapsed really have been marked by an intensification of the peace movement worldwide and the active participation therein of religious people.

Heads of the church and religious associations in the USSR assembled at the end of 1986 in the Trinity-St Sergius Monastery at the initiative of His Holiness the Patriarch of Moscow and All Rus. It was noted that the Year of Peace announced by the United Nations had for many political, social and religious figures and for many states been a time of particular concern for peace, security and the peaceful cooperation of all peoples.

Christian peacemaking is now assuming a fundamentally new character and is being realized per the following directions:

first, interreligious cooperation within the country, when the representatives of our church are meeting with representatives of other churches and religious associations in the USSR and discussing various questions of their relations, the participation of believers in the life of their socialist society and joint peacemaking service.

Second, the active cooperation of religious figures with the secular community of our country, particularly with scientists, and participation in the peace movement. Within this framework the Russian Orthodox Church and other churches and religious organizations in the USSR are making a substantial contribution to a strengthening of peace and mutual understanding between peoples.

Third, international interreligious cooperation, when religious figures of our country unite their efforts with their overseas colleagues in the interests of peace, justice and the creation of a way of life worthy of man.

The Russian Orthodox Church sees its contribution to peacemaking work in joining the voices of all religious people both in the USSR and outside in a single front of defense of peace and opposition to the dangers of war.

Representatives of our church are making a pronounced contribution to realization of the peacemaking programs of the World Council of Churches, the Christian Peace Conference, the Conference of European Churches and other international ecumenical and peace organizations.

An important place in the peacemaking activity of our church is occupied by its cooperation with the local Orthodox and other Christian churches. Thus the agenda of the forthcoming Holy and Great Pan-Orthodox Synod includes the topic "Contribution of the Local Orthodox Churches to the Triumph of the Christian Ideals of Peace, Freedom, Brotherhood and Love Between Peoples and the Removal of Racial Discrimination".

Joint church programs in support of the meetings of the leaders of the two great powers are being implemented within the framework of the extensive ties established between the churches of the USSR and the United States for the good and in development of the mutual understanding of our peoples. A notable example of this was the joint prayer of church representatives from the USSR and the United States for the success of the Soviet-American summit in Geneva (1985).

At the time of the top-level Soviet-American meeting in Washington (December 1987) representatives of Christian churches of the USSR and the United States conducted continuous joint prayer for its propitious outcome. The address delivered by Pimen, His Holiness the Patriarch of Moscow and All Rus, in the Patriarchal Cathedral of the Epiphany of 6 December 1987, said: "We Christians, who are called to bring the good tidings of peace by Jesus Christ (Acts, 10, 36), wholeheartedly welcome this meeting. It is significant that this event is taking place on the threshold of the celebration of the birth of Christ, which the angels proclaimed to the Universe, extolling God in the highest and on Earth peace, good will among men (Luke, 2, 14).

"On this Sunday in the places of worship of our holy church we send up special prayers that the All-Righteous Lord will strengthen the good will of the leaders of the two great powers in their endeavor to bring closer the longed-for time when, in the words of the prophet, 'the effect of righteousness will be peace, and the result of righteousness, quietness and trust forever' (Is., 32, 17).

"...Let us pray to God that your hearts, our brothers Ronald and Mikhail, be strengthened with courage; that your minds be enlightened with wisdom; that your souls be filled with compassion; that you do all within your power to preserve the sacred gift of life for all people of the world."

The Russian Orthodox Church considers as its most important peacemaking task extensive support—in conjunction with other Christian churches of our country and the national council of Christ's churches in the United States—for the Soviet-American summit in Moscow and the preparations connected therewith of an agreement on a 50-percent reduction in strategic offensive arms.

Our church is convinced that the Christians of the Soviet Union and the United States bear special responsibility for a strengthening of trust between the peoples of our

two countries and the development of friendly cooperation between them. Peace on Earth and the fate of the peoples will depend on the realization of this to a large extent. Called to unity of the spirit in the bond of peace (Eph., 4, 3), we, in the words of His Holiness the Patriarch Pimen, "must intensify our prayers and multiply our labors in order that the third millennium after the coming into the world of our Lord and Savior Jesus Christ be greeted by the human race on an Earth free of nuclear weapons and with peaceful heavens."

The Russian Orthodox Church attaches importance to its participation in the world peace movement. The active participation of its representatives in the activity of various social organizations in the Soviet Union engaged in questions of peace and cooperation between peoples has become traditional. All-union peace conferences, the Soviet Committee for the Defense of Peace, the Soviet Committee for European Security and Cooperation, the Union of Soviet Societies of Friendship and Cultural Relations With Foreign Countries and other such organizations have as their members many religious leaders, clergy and laymen of our church making their Christian contribution to their work.

An important form of peacemaking is the active participation of parishes and institutions of the Russian Orthodox Church in the activity of the Soviet Peace Fund. The church contribution to this fund amounted to approximately \$30 million in 1987.

A special event in the life of our church was the "For a Nuclear-Free World, for the Survival of Mankind" international forum held 14-16 February 1987 in Moscow. Some 215 prominent representatives of world religions from 56 countries, who drew up a program document, took part. We hope that this peacemaking work will be continued in the activity of the newly established International Fund for the Survival and Development of Mankind.

The "Religious Figures for Salvation of the Sacred Gift of Life From Nuclear Catastrophe" world conference held in Moscow in May 1982 may fairly be considered a most significant and fruitful event in the peacemaking field. Its participants included many prominent religious leaders, statesmen and public figures and scientists of recognized international authority. A. Einstein's statement: "The liberated power of the atom has changed everything but our thinking.... If mankind wishes to survive, it must find an essentially new way of thinking" was reproduced at the conference. The idea of the convening of "roundtables" on the burning problems of modern life was advanced at the conference. Held regularly since March 1983, they have become forums of the increasingly extensive cooperation and interaction of religious thinkers and scholars and scientific experts from all countries.



Mankind consists of a multitude of peoples which have down the ages created their own national riches. Differences in cultures must not be a cause of division and the stoking of feelings of national superiority. The task of Christian peacemaking in this sphere is cognition of the diversity of cultures and the promotion of cultural mutual enrichment. This presupposes a solicitous attitude toward the cultural heritage of each nation. The mass media should contribute to this process.

The message of His Holiness Patriarch Pimen to the participants in the "Theologians and Writers: Call for Peace" first international conference held in Moscow in January 1988 contains an appeal for a strengthening of the cooperation of "ecclesiastical and secular communicators" as representatives of the mass media making spiritual treasures the property of the broad masses: "The dialogue between theologians and writers and the dialogue of secular and ecclesiastical writers are components of the dialogue of peace and not only the way toward unity but also a means of self-knowledge—recognition of oneself and one's world outlook as a historical reality inseparable from religious beliefs and national and cultural traditions."

The Russian Orthodox Church has a clear view of its activity pertaining to the establishment on Earth of peace and justice for coming years also. The Russian Orthodox Church does not conceive of the preparation for the millennium of the christening of Rus and its commemoration without an intensification and extension of its involvement in peace-making and interreligious cooperation.

The local synod of the Russian Orthodox Church will be convened in June within the framework of the celebration of the millennium of Rus' baptism. It is contemplated thereat drawing up and adopting a program of our church's further peacemaking activity. The forthcoming celebration will not be "domestic" and "exclusive". We have invited to it representatives of local Orthodox churches, other Christian creeds and world religions with which we maintain fraternal relations. We hope that the anniversary festivities will afford us an excellent opportunity to have our due say in defense of peace and justice on Earth.

The millennial anniversary of the baptism of Rus will, we hope, be a triumph of humble rejoicing in the boundlessness of the spiritual resources of our people and the pricelessness of the millennial treasures of national culture, which have been acquired down the ages, being fashioned in creative inspiration nurtured by inexhaustible heavenly sources, imbued with an aspiration to the highest ideals of good and justice and warmed by a feeling of compassion, mercy and philanthropy in accordance with the image of Christ's self-sacrificing love.

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### Growth of Eurocapitalist Elements in Oriental Societies Seen

18160010f Moscow MIROVAYA EKONOMIKA I  
MEZHDUNARODNYYE OTNOSHENIYA in Russian  
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[Roundtable discussion: "India and China: Two Civilizations—Two Models of Development"]

[Text] [V. Khoros] Quite contentious issues, upon a comparative analysis of the Indian and Chinese civilizations included, have already come to light in the course of the discussion. All right, a divergence of positions is normal in science, particularly when it is a question of such complex and insufficiently studied subjects. Nonetheless, the exchange of opinions which has taken place makes it possible, it would appear, to draw a conclusion as to the profound inner stability of the two civilizations and their distinctive social and cultural homeostatic nature and state of equilibrium. We may speak both of features of similarity and of differences between them, different foundations of this stability, if you will. Has this been reflected in any way in the process of modernization of the societies in question and their contact with the outside world, the more so in that the nature of this contact has differed?

[L. Alayev] The destinies of China and India prior to the 19th century were both different and in some respects common. It is possible, therefore, to argue about civilizational differences and fundamental similarity. As far as recent and contemporary times are concerned, the differences in their fate show through more distinctly. China preserved its independence, India became a colony.

The paths of the two countries clearly had to have diverged.

Britain's influence on India's development was great. But the colonial period demonstrates also that the state, a colonial state included, is not omnipotent. Colonial modernization is more radical in respect of a number of areas than semicolonial modernization, but also more superficial in the plane of influence on the mass consciousness.

Primarily the "oriental" (or feudal) state was replaced by the modern state. I do not mean to say, of course, that at the turn of the 19th century the British political system of that time was imported into India. The colonial state is sometimes compared with the absolutist state, and there is good reason for this since the social support at the first stage are two local exploiter classes—the feudal

and pro-bourgeois elements—and the government aspires to economic development (for the purpose of enrichment of the foreign bourgeoisie, but this is a different question).

The state became a new one for the reason that it introduced a regular administrative system, modern institutions of control and suppression and a legal system, codified the law and decisively suppressed feudal outlaws and the customary lawlessness. The highest echelons of power, represented by the British, were almost entirely uncorrupted. The Pax Britannica was a perfectly definite concept recognized by everyone.

The state quickly shed its "oriental" nature in one further respect—it ceased to be the main exploiter. From time immemorial a most substantial source of income in India had been considered the right to collect land tax, which was usually high even for the East (up to one-fourth of the gross agricultural product). As a result of the introduction by the British of new land-tax systems the tax came to decline relatively quickly throughout the 19th century and by the end of the colonial period had fallen to 1 percent of the gross value of the actual harvest.

However, the gradual actual abolition of state-feudal exploitation at the same time afforded scope for the development of previous (from my viewpoint, feudal also) relations at commune level. Of course, the marketization of farming and differentiation and ruin of the farmers occurred and the numbers of wage workers in agriculture grew. However, recent works have shown that the scale of these processes was previously considerably exaggerated. This exaggeration may be explained, aside from the scholars' wish to ascertain "progress," also by the fact that the starting point of the process was taken as its result. Generally, the inadequate degree of study of the traditional socioeconomic system was reflected.

The point being that India has since antiquity been characterized by the considerable concentration of land (hereditary rights to the use thereof on condition of the payment of tax) in the hands of castes constituting 20-30 percent of the population and the presence of developed tenant farming and also the landless population in the villages—up to 30 percent of their inhabitants. Intra-communal exploitation, relieved of the oppression of the tax collectors, flowered in the country in luxuriant bloom, and, as of 1859, right up until it was granted independence, the British promulgated laws designed to protect the tenants from a rise in rent to the benefit of the village landowners.

[V. Khoros] In other words, the modernization process was contradictory. The dismantling of the feudal system not only could not have failed to have "led" to bourgeois relations but to have stimulated even the recovery of traditional, archaic, caste structures.

[L. Alayev] Very likely. I shall not describe in detail the process of the interaction of agrarian laws and the agrarian system—who availed themselves and how of the opportunities afforded by the tenant-farming and other legislation. It is sufficient to note that as a result of all these measures, including the agrarian reform of the 1950s ("abolition of the zamindars"), the monopoly of a number of the highest and middle castes of land tenure, social domination and political power in rural localities was reinforced even. The preservation of domination-subordination intercaste relations in the village is the main basis of the traditional relations and traditional consciousness in the country which still exist.

A few words about the agrarian reform of the 1950s. The laws of ownership underwent the most significant changes in East India—Bengal, Bihar, Orissa. In the western parts the former zamindars (landowners) were essentially renamed *kisani* (peasants). The reform barely touched the south of the country since there were no zamindars there. And it transpires that where there were no changes in ownership relations, capitalism is developing more successfully and the "green revolution" is flourishing, but where the rent recipients were eliminated, agriculture there has remained backward. This is one further example of the fact that it is not a question of ownership relations but organization of the economy. Punjab, Haryana and Western Uttar Pradesh is an area where since time immemorial the proprietor has managed the land, but the central and eastern part of the Ganges Valley is an area where the proprietor, even the petty proprietor, has not worked on the land.

A further important area of modernization is the democratization of the consciousness, of the elite, at least. Seeking explanations of why a democratic system functions successfully in India, as distinct from many other emergent states, both Western and Soviet political scientists now frequently refer to the British reforms which introduced in the country the rudiments of representative government (the reforms of 1909, 1919 and 1935). The influence of the metropolis as a whole on the former colony's assimilation of the "Westminster model" can hardly be denied, although this influence is not enough to explain the specific features of the Indian political system. It is sufficient to mention that Pakistan, Bangladesh and Burma had roughly the same institutional legacy bequeathed by the colonialists as India, but were unable to preserve it.

There was British influence, of course, but it was expressed, in my opinion, not so much in reforms at the top (speaking in any way seriously about the Indian electorate's "habitation" to a representative system is only possible as of the 1937 elections) as in the formation of a comparatively free press, in local languages included, and a general atmosphere of struggle of opinions in connection with petty and important domestic policy issues and in the possibility of the existence of the Indian National Congress—at first simply annual congresses of Indian intellectuals but then a political party,

whose most important function were those same annual congresses. The role of parliament and simulator of parliamentarianism was performed from 1885 through 1937 not by the puppet councils under the auspices of the governor general and the governors and subsequently, as of 1919, the powerless Legislative Assembly, but by the sessions of the Congress themselves and their organization and implementation.

[V. Khoros] That is, modernization initially had been purely apical, elitist.

[L. Alayev] Yes, and this was also manifested in the fact that relatively developed, progressive world-outlook systems appeared in India far earlier than they could have been assimilated. And the assimilation process was accompanied by the emasculation of these systems' radical content. Scholars have already shown that the religious reformation in Hinduism "developed" from more radical toward increasingly moderate views. Secular Indian nationalism gradually began to acquire in the views of Bal Gangadhar Tilak and Mohandas Karamchand Gandhi a religious coloration, and this process continues.

Forms of capitalist development (the creation of "capitalist monopolies" on the basis of families and religious communities) and forms of political development are in the same way being "mounted" on the traditional Indian social system. As of 1937 the imported "Westminster system" began to evolve in the direction of rapprochement with and adaptation to the effective level of consciousness and traditional forms of self-identification. Social communities built on the basis of vertical boss-client relations, factions, as they are called in India, have become the bricks from which bosses of a higher order and ultimately political parties take shape. The struggle for interest of the factions and the bosses forms the basis of their political behavior, alliances and splits. Ideological slogans play an increasingly symbolic part, somewhat akin to a password and mantra (incantation) by which one recognizes one's own people: their content, however, frequently recedes into the background. Ethnic processes which in the past remained at a level characteristic of the Middle Ages are latently and sometimes very clearly and turbulently under way in India.

[V. Khoros] It seems to me, Leonid Borisovich, that your analysis of modernization in India convincingly corroborates a regularity observed in other developing countries also: movement along the path of social progress is most successful where it has been "planted" on the most fundamental values and institutions of the prebourgeois, precolonial culture. This would appear paradoxical, but is in fact perfectly natural—no development process progresses via a break with the national culture (of a 1,000-year civilization even less!). On the contrary, it is possible only when the traditional structures of consciousness and behavior are associated with it "in earnest". Elements borrowed from outside (democratic

ideas, parliamentary institutions, management principles and so forth) must be adapted to the evolved cultural standards or else they will simply not work. How, Leonid Sergeyevich, is this synthesis of the traditional and the modern proceeding in China?

[L. Vasilyev] Before switching directly to China, permit me to express a few general considerations. The non-European world was in the era of colonialism pulled into the world market and came to be subjected to capitalist modernization, regardless of whether this country or the other, like India, had become a colony or remained, like China, an independent power. It is very important here to reveal and emphasize a general regularity outwardly expressed in the form of the somewhat surprise dynamics of developing countries' political position. The essence of these dynamics is that, having come into direct contact with the political expansion of capital in the 19th century (hitherto colonialism had been predominantly of a commercial nature and, with a few exceptions, had not manifested itself in the form of political incursions, although it had interfered in the internal affairs of a number of countries and had created its springboards in them at times), Eastern countries, including Africa (this does not apply to Latin America in view of the conditions of its colonization) clearly recognized their backwardness and lowly status compared with European industry, science and culture and with Western civilization in general.

Representatives of these countries, just a few belonging predominantly to the ruling elite initially, began to actively and energetically borrow Western values and assimilate elements of European civilization, manifestly putting them higher than their own. In addition, the political reforms and even mass movements of the 19th century were in the majority of cases of a modernizing nature and set as the goal the extrication of this country or the other from the shackles of backwardness and thereby helping it match up in forms and level of existence to the same West. This can easily be seen in the example of India or Iran and is very noticeable in China (the Taipings and the policy of "self-reinforcement").\*\* These processes reached their peak at the start of the 20th century, in the era of the so-called "awakening of Asia," the era of revolutions and attempts to create democratic republics and constitutional systems per the Western model.

As is known, little came of these attempts—it is a question not of form but of essence. Breaking with and transforming traditional oriental structures proved a difficult business—the more so in that at crisis moments they proved capable of mobilizing for their self-preservation forces which were far from easy to handle. The might of the above-mentioned forces is, like their sources, easily found: they go back to the depths of history and centuries-old thickness of cultural tradition. Whence the pan-Islamic-type movements in the Muslim world, slogans concerning a return to Vedic ideas in India and the unabating influence of Confucianism in

China. In the mid-20th century all these and similar ideas and slogans had strengthened considerably and acquired new strength under the conditions of the collapse of colonialism. The colonial capitalist West retreated and in many respects manifested its bankruptcy, what is more.

A fundamentally new situation which revealed both the strength of European science, technology and civilization (it could not be surpassed, all the same, and matching it even was practically impossible—indeed, was it necessary?) and the weaknesses of this civilization (the individualist approach, aspirituality, the race for material success against the background of the collapse of moral principles, man's alienation and so on and so forth) was created. All this and much else besides gave rise in the developing world to a reassessment of values, a great return to roots and a change of reference points—in a word, what in its most consistent form assumed the character of fundamentalism. This is the general regularity, the general dynamics against the background of which the events in the countries of the East in the past 100-150 years appear most prominently.

[V. Khoros] And in modern China also?

[L. Vasilyev] Perhaps, particularly so. China has from the earliest times been renowned for high culture, discipline, orderliness and the organization of labor. Millions and hundreds of millions of indefatigable workers under the watchful eye of the state and its representatives created down the ages material values a substantial proportion of which was used for the purpose of the prestige consumption of the upper strata and also the creation of magnificent monuments and celebrated giant structures—from the Great Wall through the palace-temple complexes. Private enterprise activity, in the sphere of which the Chinese also were highly successful, also runs to many centuries, millennia even. Although within the confines of the centralized empire they never had sufficient scope and the necessary opportunities, including conditions and guarantees, for success: the state always dominated the private trader. Only outside of China were the huaqiao emigres able to demonstrate the true possibilities and successes in private enterprise activity.

There were in China, as throughout the East, throughout the non-European world, no internal potentialities for the development of capitalism—it is a question not of individual elements of commodity-money relations and commodity-crafts production, not even of enterprise, but of capitalism, of a society based on the domination of private ownership with a state serving its interests. However, there were certain prerequisites, proof of which could be, moreover, Japan, about which more later, which was developing predominantly in the channel of Chinese-Confucian tradition.

[V. Khoros] But, nonetheless, the main impetus to modernization came from outside.

[L. Vasilyev] Undoubtedly. The Chinese Empire had been in contact with the outside world, more precisely, with the West, back in the 16th century. The Jesuit missionaries who had penetrated the country brought with them quite a bit of European material culture—from Western-type firearms through clocks and astronomical instruments, not to mention Christian ideas, which failed, incidentally, to find abundant soil for extensive propagation. Later China was closed to outside influences for a long time. Only as a result of the opium wars of sad memory in the mid-19th century was it open to colonial trade and subsequently to the vigorous penetration of foreign capital. Strictly speaking, this was the beginning of the era of crisis of the empire which culminated in 1911 in its collapse.

For decades Western values, although encountering at times the people's desperate resistance (the I-ho chuan movement at the turn of the 20th century), nonetheless took a hold in China, undermining the traditional structures both in the sphere of the economy and, even more, in the sphere of ideology. Finding themselves in the position of the humiliated—and by whom, some Western barbarians, overseas devils who possessed technology and science unknown to the Chinese, but who knew nothing in the field of human relations, standards of behavior and Chinese ceremonial (given this, who were they other than miserable barbarians?!)—the rulers of the earth attempted to rectify the situation, borrowing some foreign experience. China was rationalistic and inwardly prepared for the borrowing of useful experience (once again it is worth recalling Japan). But it was strongly impeded here by millennial ambitions, inordinate arrogance, a sense of its own superiority and, finally, the rigidity of the structure and sluggishness of the powerful machinery of state with its body of officials raised on traditions and valuing the past above all.

And the empire collapsed. In the country, revolution. Sun Yatsen and his Kuomintang Party created a republic. Now, seemingly, was the time for fruitful, active and rapid borrowing, an increase in the pace of development and for modernization of the country and the development therein of capitalism. But nothing of the sort! The revolutionaries headed by Sun Yatsen were in no hurry either for an active borrowing of Western standards or for the rapid development of capitalism per the European model. If you look closely at their slogans (three principles) and, even more, at the Kuomintang's practical activity in the 1920s-1940s, it is easy to see that although capitalism was developing in China, its development was largely different from what it was in the West.

[V. Khoros] This development was different in principle? What was the difference?

[L. Vasilyev] The cardinal difference was that capitalism had been implanted from above, as it were, and was encouraged by the state, which had control of the main

sectors of the country's economy and the biggest enterprises. This was state capitalism. Private enterprise was left with small-scale enterprises and the secondary spheres of the economy. In agriculture, which remained the basis of the national economy, there were traditional relations between the treasury and the landowners. There was also little that was new that had arisen in the sociopolitical sphere, although there were revolutionary changes outwardly. There was a parliament, a constitution was adopted and a separation of powers had been proclaimed. But in fact the country was run, as before, by those who had the real power and relied thereon, primarily the militarist generals with their regional armies. Each administered in his own way, but, as a whole, in accordance with the model which I have just mentioned and which was genetically closely linked with tradition. The powerful social genotype, which had been fine-tuned down the ages, worked automatically. Even Confucianism, which was not recognized by parliament as official doctrine, continued not only to influence people and their consciousness and behavior but also to set the tone in the life of society and the state.

Was there an appreciable change in the situation when the communists took power? It is customary to believe that there was. Indeed, much changed in China under Mao Zedong, and very radically, what is more. The changes affected the social structure primarily. Not only Confucianism but also bourgeois ideological doctrines were thrown out officially. Private ownership was eliminated and the country's economy, whose system of administration was reorganized per the Soviet model, was brought under state control. Once again it might have seemed (and for a long time really did seem!) that China had emphatically broken with the past, that its structure had been cardinally updated and that the oriental giant building socialism was oriented mainly toward the future and had very little connection with the traditions of the past, which it officially condemned and stigmatized even even. But was this the case in actual fact?

The driving force of the Chinese revolution had been the peasantry. Powerful popular movements were not new for China, they reflected the conservative peasantry's interest in preservation of the status quo, that is, its stable existence guaranteed by the state. While frequently operating under Taoist-Buddhist slogans steeped in egalitarian ideas, the insurgent peasants by no means aspired to a breakup of the existing system—they wished merely to restore the norm which had been disturbed by the crisis phenomena. Such in principle was the situation in the country in the revolution years also. And although Mao, armed with socialist ideas, who proved to be the leader of the revolution, saw as his goal precisely the breakup of the existing system and its replacement by a different one built on the principles of egalitarianism, the realities of the traditional social genotype could not have failed to have made their presence felt. This was manifested particularly obviously in the years of Mao's social experiments, when the great country, which he had

put to the rack, was deprived of its customary forms of existence, be they the farmer's individual plot or the market, albeit controlled, nonetheless vitally important for the normal functioning of the economy. Taking egalitarian ideas to absurd lengths, revolutionary extremism brought China to an impasse, of which there is always only one way out—backward.

[V. Khoros] But, after all, the "cultural revolution" also took place entirely in a spirit of Chinese traditionality if we think of the periodic peasant uprisings sanctified by the "change of mandate" principle (*geming*).

[L. Vasilyev] Yes, but these perturbations from below form one part, as it were, of the historical zigzag, the other part of which is restoration of the disrupted norm. It was a retreat, that is, a restoration of the habitual norm, albeit now in a different, socialist, version, which was signified by the reforms which were implemented in China after Mao and which played a tremendous part in the country's renewal and recovery. The land was once again given back to the peasant who worked on it, and commodity-money relations and the market once again began to regulate the domestic economic process, given, of course, strict state control and preservation in the hands of the state of the key economic positions, which had always been the rule for Chinese society. Of course, the state is now no longer what it was, but functionally it is very close to the traditional state, as the multimillion-strong detachment of key officials—the *ganbu*—is close to the *shenshi* who traditionally administered China, close, again, not ideologically but institutionally, functionally.

Generally, the social genotype has made its presence known here also. Structurally socialist China (its leaders are continually insisting, it is true, that on the way to socialism it is taking only the first steps—and to a considerable extent from the harsh truth here) has proven to be very close to the past. And it would be naive to expect anything else. After all the charismatic influence of a leader and the proclamation of new relationships are not enough for a cardinal transformation of the social structure. What was needed was the state of readiness of the structure for breakup, for its in any way appreciable modernization, at least. The China of the mid-20th century had nothing of this, and its multimillennial tradition was stronger than anywhere. And this despite the fact that the prerequisites for a break with the structure precisely in the Chinese-Confucian civilization-tradition were virtually the most well-formed, which is demonstrated both by modern China and certain other countries which were historically within the sphere of influence of Chinese civilization.

[V. Khoros] You obviously refer to Japan?

[L. Vasilyev] Precisely it primarily. Like Ancient Greece, Japan in the history of mankind is a practically unique, unparalleled phenomenon. Of course, in our day we can tick off a number of states, once again in the Far East

region primarily, which are proceeding along roughly the same path. But this is in our day, when conditions in the world have changed radically and when the developing world is being pulled increasingly intensively into the world capitalist economy. Conditions were different a century ago, when Japan's hour struck.

Why it precisely? And for what reason? There is as yet no satisfactory answer to these questions. But much has been done, for all that, to somehow explain the Japan phenomenon. Historically it was a peripheral part of the zone of influence of Chinese civilization. And although Buddhism and Shintoism, qua religions, were clearly predominant there, Chinese-Confucian traditions, in a form which was somewhat metamorphosed at times and adapted precisely to Japanese realities, determined the character of the country to a large extent.

The first thing which arrived and strengthened in Japan together with Chinese influence was the spirit of paternalism and the strict attachment of the junior to the senior most fully reflected in the spirit of Bushido and the cult of samurai ethics. The strict regulations of paternalist-samurai relations in Japan assumed the nature of patronage-client relations to a far greater extent than was the case in China with its strong state. The second thing which genetically has its roots in Chinese civilization is the high culture of labor and its discipline and organization, which are also partially associated with paternalist traditions and the strict regulation of behavior conditioned by them. In addition, Japan had what China lacked and did not have what prevented it undertaking modernization rapidly and efficiently.

There was not primarily so strong a state with a developed civil bureaucracy. The alternative had been the military power of the shoguns and princes relying on their devoted samurai and protecting "their people" (including "their" cities), which created particular conditions for economic development (somewhat akin to kings' alliances with cities in late medieval Europe). There were even cities with their guaranteed rights, privileges and benefits. Second, a capacity for the fruitful borrowing of foreign culture had taken shape down the ages. It is not surprising that the first contact with European colonizers and missionaries led, although shortly after the 16th century it also, as in China, was cut short by the authorities, to entirely different consequences. The Japanese were as a whole more tolerant of the preaching of Christianity (this religion was officially adopted by several princes interested in expanding relations with the Europeans) and came to apprehend European science and technology (in Japan it had long been called "Dutch science") more actively.

The unique combination of favorable circumstances: high culture of labor and the system of patronage-client relations sanctioned by Confucian ethics, social discipline, given the comparative weakness of the state and the bureaucracy, the habits of readily borrowing foreign experience—all this together with certain other factors

enabled Japan to modernize rapidly and ultimately provide the whole world with the sole example of its kind of a brilliant synthesis of oriental tradition and Western capitalism (in the broadest meaning of this word, that is, including Western science and technology, many elements of the "civil society" cultivated by European civilization and so forth).

[V. Khoros] The Japan phenomenon is unique, as, incidentally, the China phenomenon is inimitable in a certain sense. But where does the difference lie?

[L. Vasilyev] China is still strongly bound by tradition. Socialism functionally adapted to Chinese realities has not broken with the traditional structure. As I have already observed, it has even reinforced its foundations in a certain sense. Japan, on the other hand, emphatically severed the bonds of tradition in the last century even, but much thereof has remained, nonetheless. What has remained is that which is helping the new, capitalist structure and which is smoothing over the contradictions inherent in capitalism and manifested in alienation, a decline in moral standards, neglect of spiritual principles in favor of material principles and so forth. In addition, thanks to this property of tradition, the Japanese standard of development is now in terms of many parameters becoming the optimum, surpassing the European and American standards. The continuing elements of paternalism are strengthening economic relations and preventing a deepening of social contradictions; the absence of long-standing traditions of civil liberties is making more difficult an in-depth recognition of social and class contradictions and also contributing to the consolidation of civil peace in the country.

As a whole, an effect of the harmonious synthesis of tradition and modernity is emerging, and economic successes, given sociopolitical stability and the orientation toward Confucian-style harmony, lend additional force to this effect. It may be added to what has been said that the absence of rooted traditions of civil liberties is not preventing the manifestation of individual and private enterprise initiative under the conditions of present-day Japan. This once again is not contrary to Chinese-Confucian tradition: the strict rules of paternalism have always contributed to the burgeoning of the principle of meritocracy (the successful junior rapidly joins the ranks of the seniors, if not in terms of age, then in terms of social standing and office).

So in the one case (China) we have the strong pressure of unbroken tradition, in the other (Japan), reformed tradition is used for the good of the new structure. Such metamorphoses might appear paradoxical. After all, it is customary to believe that it is socialism as a social system which does away with relations typical of exploiter-antagonistic systems, whereas capitalism is just one of these systems. In other words, from the standpoint of accepted theory the Chinese structure should have collapsed, and the Japanese, been preserved. I realize that accepting the opposite viewpoint is difficult: a heavy

burden of dogmatic ideas is in the way. But I not only insist on what has been said above but in a certain sense take it as a basis and rely on it when analyzing both the current situation and the future.

[V. Khoros] Leonid Sergeyevich, the comparison of the Japanese and Chinese versions is exceptionally interesting, but, nonetheless, our subject is India and China. We hardly completed even approximately the comparative analysis of the modernization in these countries. Virtually nothing, for example, has been said about their economic aspects. Is it not time for you, Viktor Leonidovich, to join the discussion?

[V. Sheynis] For the time being I shall confine myself to ascertainment of the most obvious results of the two countries' economic development since the war. The more general considerations which have occurred to me in the course of our discussion I would like to express later.

At the "start," in 1950, the said countries were in a relatively similar position. The bulk of the gross product was produced by and the preponderance of the population employed in agriculture (from 70 to 80 percent according to various estimates). The productivity of the agrarian sector in China was somewhat higher, India, on the other hand, had a more developed and diversified industry. A comparison of the two countries in terms of per capita gross product may be made only with a large dose of conditionality since it is computed in India and China on the basis of differing methodology. Nonetheless, the majority of calculations agrees that in 1950 the corresponding indicators of the countries being compared were very close and constituted 55-65 percent in relation to the mean indicator of the developing states. The rate of accumulation in the two countries at the start of the 1950s constituted approximately 10 percent.

Thirty years later the correlation had changed completely. China had earlier raised the rate of accumulation to 25 and even 30 percent (that is, to a level which India has never attained) and put great emphasis on industrial development. Despite the serious social upheavals, the overall economic growth rate in the period as a whole was higher than in India by a factor of more than 2.5. As a result a 2.3-2.5-fold discrepancy in the per capita gross product emerged: the Indian indicator had declined to one-third-one-half of the mean "third world" indicator, but the Chinese indicator had risen to this mean level, had overtaken that of Sri Lanka and had joined those of Thailand and the Philippines.

These data speak in favor, it would seem, of the state-centralized economy, which was able to mobilize resources and speed up the growth of the modern economy. Let us not, however, rush to such categorical conclusions. In terms of the most important structural economic indicators the two countries belong to one and the same class of developing states, although one of them in terms of per capita income begins, and the other, ends,

the list. Both in China and in India, as before, approximately 70 percent of the gainfully employed population is employed in agriculture, and this latter produces a comparable amount of the gross product—23-28 and 33-37 percent respectively. In terms of proportion of urban population China has overtaken India somewhat, but both countries lag considerably behind even the mean "third world" indicator: 25.7, 22.6 and 33.2 percent respectively in 1980. In other words, development in the countries in question has been of a sharply polarized nature and has occurred almost exclusively thanks to the modern sector, the main sphere of which (up to the start of the 1980s, at least) has been the municipal economy.

In one respect, it is true, modernization in China has been more successful than in India: demographic policy has had a greater effect here. The difference in the average annual rate of increase in the population throughout the 1950-1986 period is not that great: 1.8 percent in the PRC, 2.1 percent in India, but the dynamics of demographic growth have been varidirectional. In India population growth at first accelerated and then stabilized and only in the 1980's has it slowed somewhat (to 2.1 percent), in China, on the other hand, it has declined from decade to decade, until in the present decade it has compared with the level of developed countries (1.2 percent annually).

Not only in India but in China also the bulk of the population has made a very modest contribution to the increase in production and has just as feebly perceived the fruits thereof. The growth in both countries has supported an increase in the rate of accumulation unprecedented in their economic history (as a result the capital-intensiveness of production has probably gone beyond rational bounds), a substantial increase in the income of the production managers—the machinery of state and the expanding bourgeois stratum in India and the multimillion-strong army of ganbu (government officials) in China—and also a certain increase in the income of the working people who have been fortunate enough to have become a part of the structure of the modern sector. The resources expended here on maintaining the grandeur and strengthening the military power of the state and on the colossal machinery of state controlling and organizing social processes in China have been relatively hardly less, and in absolute terms, more even, than those spent on elite consumption in India. The results of China's economic development, albeit more impressive than in India, have not in the least, probably, been perceived any more by the peasant somewhere in Sichuan or Xinjiang than by his confrere in Bengal or Assam, and the social position of both has experienced, albeit for different reasons, periods of sharp deterioration.

Nonetheless, the postwar economic growth in both countries has created a substantial material basis which, given its proper use, could contribute to a considerable extent to social progress. Is "proper use" to be expected? The



answer to this question is not in the least predetermined but stochastic for it depends not only on the permanent factor of tradition but also on a multitude of unpredictable circumstances arising in the course of modern development.

[V. Khoros] So we approach the third phase of our discussion—evaluations of the future. In this phase of the discussion also we will perhaps ask Leonid Borisovich to begin.

[L. Alayev] I am not generally much in favor of making forecasts. For this reason I shall speak only about what is connected with the sociocultural constants of Indian civilization. Some of its singularities, it would seem to me, primarily its hierarchical structure connected with the caste system, are conducive to the modernization process. Indian society is now assimilating modern technology, rational forms of management and democratic standards of intercourse and institutions. There is as yet time for all this lapping and the maturation of the prerequisites for a future civil society: preservation of the traditional social system is providing for an entirely acceptable level of social stability. Merely the continued domination of caste consciousness ("to each his own") can explain, evidently, the fact that class conflicts are not intensifying and that people are not rebelling, even when in inhuman conditions, from our viewpoint. The continuation of the high proportion of illiteracy (two-thirds of the population) and the low level and pace of urbanization compared with other developing countries are indicators of the development level. But these indicators should be seen also as symptoms of a more profound reality: people are still socially enserfed and still tied to their community and caste, where they have no need for new horizons and the ability to read and write.

However, this fact has certain salutary consequences. Were the Indian traditional way of thought to collapse, a far-reaching social cataclysm would occur in India comparable to 10 Irans. Were each Indian to think that he was no worse than another and to demand his portion, this would be significant social progress, possibly, but economically and politically the country would be thrown back a hundred years.

[V. Khoros] All in its own time, as they say, including social and political egalitarianism.

[L. Alayev] Precisely. But meanwhile two countries, as it were, exist in India. One is progressive. It is said that approximately one-third of the population is employed in the modern sector. I believe this to be an overstated figure and the result of optimistic anticipation. The remark needs to be made that reassessing development is a permanent ailment of scholars and politicians who have studied and are studying colonies, semicolonial territories and developing countries. It has been acknowledged many times that estimates of development made earlier have been overstated. But scholars

time and again invariably succumb to optimism. Specifically, everyone knows that many wage workers, semi-destitute "businessmen" and government officials still live in the traditional world essentially, but are ascribed to the "modern sector". It is my estimation that no more than 100 million out of the 700 million live in modern India, and the main thing is that the percentage correlation of these numbers shows virtually no change. And these 100 million are comparatively relaxed and believe in democracy and progress because they share among themselves (not equally, of course) all the benefits ensuing from economic development, while the remaining 600 million receive virtually nothing.

The Indian version of modernization could possibly prove very successful if the pace of the awakening of the masses remains this low until the time when new, as yet unknown, prospects are revealed. But the political assertiveness of the masses might begin to grow exponentially. The sole alternative then would be the establishment of "Hindu" dictatorship headed by holy men.

This alternative is impeded currently, incidentally, not only by the "propitious" combination of the lifestyle and passivity of the masses but also by Hinduism's unreadiness for this role. As distinct from Islam, Hinduism does not rally but disunites the masses and cannot serve as a banner of the mobilization because it is one-faced, and any slogan which it advanced would not only attract but also repel. Even the slogan of protection of the cow most acceptable for the purpose of mobilizing the Hindu masses repels those not concerned. Attempts have long been made to create a new, militant, politically suitable Hinduism. They exist even—opponents call them communalism. But the latter cannot take possession of the masses as yet for the same reasons that have already been mentioned—on account of its inordinate egalitarianism and unacceptability for the traditional consciousness.

[V. Khoros] Leonid Sergeyevich, where, do you think, China is headed against the background of the rest of the world, the developing world primarily?

[L. Vasilyev] Let us for a start settle the necessary emphases. How is the modern world, primarily the developing countries constituting the majority thereof, proceeding and whither? What is capitalism and what is socialism from the viewpoint of those same developing countries, which have been confronted by history seemingly with the alternative of capitalism or socialism?

In the light of the concept which I offer it is obvious that capitalism is the child of antiquity, the formation with the highest level of development and the domination of private-ownership relations and with an organization of society and the state which is placed entirely at the service of private ownership and functions in the name of the burgeoning thereof (which, of course, does not preclude the existence of certain forms of collective and state ownership functioning, however, in the name of the good of that same society in which private ownership is

recognized as the highest value). Aside from Japan, where such a structure has supplanted that which existed previously, the other countries of the non-European world are, as before, within the framework of a different structure, in which private ownership has always been assigned a secondary place, and the state has both exercised the function of proprietor (power-ownership) and been the ruling class. Becoming capitalist for them means primarily breaking with the traditional structure (as was the case in Japan). Is this easily done?

What is socialism, if we are speaking not of grand theory but of its practical realization? It is obvious that this system could have arisen in practice only on one of the two different structures—European or non-European. We would stipulate right away that Marx created a theory for the first instance. He saw European socialism as the surmounting of capitalism, but given the unfailing preservation of all the foundations of civil liberties and rights which trace their origins to antiquity.

Outside of Europe such foundations did not exist (the question of Russia is a special one, it having been since time immemorial at the intersection of East and West, but the oriental principle therein was, nonetheless, predominant, in my view). Thus on what basis was socialism to have been created there? It was not, after all, to have been formed in a void? It is not surprising that in oriental societies it was based on structures with a "state" ("Asiatic," according to Marx) mode of production" and the ideas and institutions closely associated therewith. And although ideas concerning civil rights, liberties, democratic procedures and so forth which had taken shape in the camp of European civilization came to the East together with the ideas of socialism (and sometimes earlier even), all these institutions, once on non-European soil, were inevitably to fade, if not wither away altogether. There was no place for them in a structure of a different type, an authoritarian structure with the manifest predominance of the authority of the state and the machinery of power.

[V. Khoros] Does not what you have said, Leonid Sergeyevich, mean that there is no room in non-European oriental structures not only for capitalism but socialism also?

[L. Vasilyev] This means that whereas capitalism could freely and wholly realize itself only within the framework of one structure (the other had for this to have been preliminarily broken up and replaced by the first), socialism could in principle have arisen on the basis of either of them. In the West here this was (would have been) Western socialism, in the East, oriental. And the difference between them is by no means a matter just of definition. The differences are in the models, which, in turn, are determined by the dissimilarity of the structures. About the Western, European, model it is difficult to say anything definite: the range of its realization is quite extensive—from Sweden through Yugoslavia. In any event, the main thing here is that society exercises

control over the state. The other models of socialism known to history are oriental. Here the state dominates society. It is this which is their weakness, that is, that which is preventing development and is in need of restructuring.

China after Mao was one of the first to recognize the need for such restructuring and began to undertake it rapidly and successfully, what is more. This, however paradoxical, was helped by Mao's experiments, which had brought the country to an impasse and largely destroyed its structure and swept away the power of the country's bureaucratic machinery. On this basis Deng Xiaoping was able to restructure the economy comparatively easily and in the wake of this set about the restructuring of social relationships and forms of authority. And although the traditional structure in China has not yet been destroyed, much has been done to break it up. If China continues to proceed along its chosen path (and there is reason to believe that this will be precisely the case), it may confidently be assumed that its traditional structure will soon be transformed. What will China be like in this event?

Here also, on this point, it is necessary to address the phenomenon of the East as a whole. United, granted all its diversity, by the non-European structural basis, it appears in its development as an unusually wide range of versions. All these versions may be aligned not in a row but arranged in the form of an arc (its constituent countries are too diverse to be arranged, even for clarity, in a row—an arc is more accurate). The end of the arc here may be denoted by two points, one of which is Japan, the other, China. Or, if you wish, one is 100-percent, virtually the world's most prospering, capitalism, the other, resolutely and independently practiced socialism.

[V. Khoros] Leonid Sergeyevich, from the general theoretical viewpoint your position is, it would seem, clear: there is a multitude of versions or models of development. But how do matters stand from the specific-historical viewpoint? Do all these models have identical opportunities for realization and, so to speak, identical views of the future?

[L. Vasilyev] Indeed, theoretically, as I have already said, the range of versions is exceptionally wide. I do not have the opportunity to describe all these versions (nor is there, evidently, any need for this). It is of material importance to distinguish the main ones and what determines their present-day status and prospects. There are countries gravitating toward the Japanese model, but they are very few. There are those close to the Chinese model, they are few also. The remainder are situated between them. The main thing is that the traditionally non-European countries are gravitating toward the model of a strong state already described. However, they are clearly aware that this model, given the weakness of private ownership and the market, is fraught with the

danger of economic inefficiency, not to mention corruption and other abuses. At the same time, on the other hand, giving oneself up to the spontaneity of the capitalist market, given a weakened state and the absence of the necessary traditions and the ideas fostered in Europeans down the ages concerning rights, liberties, guarantees and so forth, would mean finding oneself on the brink of chaos, if not catastrophe. In other words, not breaking with the traditional structure means remaining backward, attempting to do away with it means risking too much, particularly given the absence of the necessary prerequisites for this. Not counting several Far East and Latin American states (countries like Saudi Arabia or Kuwait which have grown rich on oil exports may partially be attributed to them also), nowhere is there a base for them.

[V. Khoros] Since history and actual life pose the problem and set the task, a solution has to be found also. And not one solution, as a rule, several paths and versions in conformity with the particular features of individual countries or regions.

[L. Vasilyev] Quite right. The first path is the slow and gradual creation of the necessary prerequisites. It is this path, in actual fact, which many developing countries are following. However, there are on their path so many difficulties (from the insufficient culture of labor and general culture through the underdevelopment of the European type of civil rights and liberties and, in addition, the sharp counterpoise to these elements of European civilization of local traditions and religious principles), and they are moving forward so slowly that there can be no question as yet in the majority of cases of a break with the structure and the creation of a new one. In other words, there have been successes, but they are as yet negligible and thus dismal against the background of the achievements of the developed countries that there can be no serious talk of the unfolding of a structure corresponding to and affording opportunities for vigorous capitalist development.

The second path is the more or less decisive rejection in principle of the creation of conditions for transformation of the structure. "We are all right," "we are content with our traditional practices"—this approximately is the content of the slogans of a social and ideological stratum of religious fundamentalists, which is highly influential currently in the developing world, particularly in the East, and whose impact on the social consciousness of its countries is growing increasingly.

[V. Khoros] You refer, of course, primarily to the cultural and historical range of the spread of Islam. You are perhaps right, incidentally—neotraditionalist, fundamentalist reaction, albeit in different forms, is a common tendency for many of today's developing countries. It has become even more pronounced recently. Why, do you think?

[L. Vasilyev] First, because the bright illusions of the time of decolonization have been dispelled, and the problems have proven more intractable than was supposed. Not only catching up with the developed states but remaining at the former distance from them is now unrealistic for the majority of developing countries. Is it worth making a big effort under these conditions? Is it not better to reconsider development strategy and evaluate in a new way the practices which were solid, customary and generally satisfactory for many countries? And look here, naturally, to the assistance of the more developed.... Second, because the old structure is not simply resisting a break but also, mobilizing new opportunities, switching to the offensive. The demographic explosion is its creation and its strength. The debt slavery, given the lack of hope of there ever being an escape from it, is also its legacy and its strength. An inability to work such as to satisfy increasingly growing requirements thanks to rising productivity is also, in my view, a factor formed by the old structure and in keeping with it and age-old traditions.

A variant of this second path is an attempt to opt for a socialist orientation. It is more often than not a question here roughly of what was said in connection with the China of the time of Mao. This option promises no auspicious results in the sense of economic successes, as long, in any event, as the market and commodity-money relations are limited in their possibilities (and they are in such cases more often than not limited as a consequence of extreme backwardness and the need for state control of consumption).

So, two paths—doing away with the traditional structure, and not doing away with it. It is easy to spot that the first gravitates toward the Japanese model, the second, toward the Chinese. And it is here that we need to return once again to China and its model. True, there has been no break with its traditional structure as yet. But the point of the matter is that in the course of modernization and democratization, in the course of the current restructuring, this structure is visibly breaking up.

[V. Khoros] But is it not then reasonable typologically to put at the head of the developing countries not endeavoring to do away with their structure precisely China which is nonetheless breaking with it?

[L. Vasilyev] Yes, undoubtedly. It is necessary only to make clear what one means. The point being that in the past also, in ancient and medieval history, there were societies which were intermediate in nature. They included Phoenicia, say. The Christianized Germanic societies of medieval Europe and also a number of Slav societies, including Russia, were a long time evolving from one structure to another. True, the mere existence of intermediate societies (that is, with the presence of a pronounced number of elements of the European structure which contributed to the more or less accelerated and unimpeded development of private ownership and private-entrepreneurial activity) indicates nothing. Only

given the buildup of a kind of "critical mass" of the said elements may transformation of the structure occur. And this has been impeded in every possible way by the system of power predominant in the non-European structure and the "state mode of production". Strictly speaking, these were the prerequisites we spoke of above in reference to China or Japan: they existed here and were able to contribute to the transformation process and even, in the case of Japan, play their part, but this was a unique case. Preservation of the traditional structure became the rule.

In the era of colonialism, when the world found itself pulled into the orbit of influence of capitalism, a new and fundamentally different situation arose which led in the 20th century to the number of elements of the Eurocapitalist structure beginning to grow rapidly in all non-European countries, which noticeably transformed and in some places noticeably undermined the old structure. But the traditional structure was in no hurry to recede into the past. On the contrary, having mobilized considerable intrinsic potential, it went onto the counteroffensive, which in our day has led to a certain success, of which we have already spoken. Partly broken, changed in some respects and considerably enriched with new, qualitatively different elements, the traditional structure has nonetheless remained the leading and system-forming structure in the vast majority of developing countries. This has been the case, specifically, in China also. But China in the sense in which we are interested is a special case.

Revolution does not in principle accept compromise; its inner logic leads, as a rule, to revolutionary extremism accompanied by civil war and the extirpation of dissidence, of those who were at the helm of this revolution itself included. The closest example of revolutionary extremism is Iran. But something similar occurred in China also. However, a certain time goes by, and there comes a time for compromise. Compromise in the name of commonsense and the achievement of the goals for whose sake the revolution was accomplished (and its task is, in any event, an improvement in the living conditions of the majority of the people). In China the compromise has amounted to the restoration of the norm which is customary for and acceptable to the country and the people and which was upset by Mao's experiments. If, however, it is considered that this norm was restored under the banner of a socialism opposed to capitalism and at the same time functionally close to the "state mode of production," it is not to be wondered at that the result of this has been a strengthening of the foundations of the traditional structure. In other words, China's social structure since Mao has been closer to the traditional structure than ever previously in the last century.

[V. Khoros] Yes, but this return to traditionality has simultaneously been a form of modernization, which is not only proclaimed (and in this sense subjective) but also undoubtedly is the objective mission of Chinese society. There is a contradiction....

[L. Vasilyev] Naturally. For this reason the country's modernization, which is proclaimed as the main goal, required a break with the structure which had only just been established, specifically, a sharp reduction in the role of centralized state control at first in the economic sphere and then in the political sphere. It is this break which has now been undertaken in the PRC, and the concessions to the market and individual enterprise are by no means being equated with concessions to capitalism, what is more. Not officially. This means that officially China does not wish to break with the existing structure and for this reason alone has grounds for leadership of the countries of the developing world which also reject such a break.

Returning to the "arc of development" metaphor, it may be affirmed once again that on one side are those who are seeking a break with the old structure, but for reasons beyond their control are proving unsuccessful here, and on the other, those who do not accept a break, but are being forced to come to terms with the fact that it is under way, nonetheless. The extremes thus, if they do not meet, converge, and the vector of the historical process in countries of the non-European world is obvious: elements of the Eurocapitalist structure, whose active introduction here began with the era of colonialism, are continuing to grow and accumulate.

[V. Khoros] Leonid Sergeyevich, how should we understand your conclusion from the viewpoint of the long term? Does this mean that the developing world is heading for European-type capitalism?

#### Footnotes

\* Continuation. For the start see MEMO No 4, 1988.

\*\* The reference is to the policy of the centralized state (official) building of industrial and, particularly, military facilities (plants, arsenals, shipyards and so forth) in China in the latter half of the 19th century—Ed.

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"Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1988

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#### Indian-Sri Lankan Agreement Must Be Made To 'Work'

18160010g Moscow MIROVAYA EKONOMIKA I  
MEZHDUNARODNYYE OTNOSHENIYA in Russian  
No 6, Jun 88 pp 99-105

[I.S. Tselishchev interview with T.S. Subasinghe and B. Fonseca: "View From Colombo"]

[Text] We offer for readers' attention a conversation of I.S. Tselishchev, deputy chief editor of the journal, with two well-known Sri Lankan politicians—T.B. Subasinghe and B. Fonseca. They both have a wealth of experience of

*work in responsible government office and enjoy deserved authority as specialists on a wide range of domestic and foreign policy problems. T.B. Subasinghe has been minister of trade and industry, Sri Lankan representative at the United Nations and ambassador to the USSR. He is now chairman of the Sri Lankan Peace Council and vice president of the World Peace Council. B. Fonseka has also represented his country in the United Nations and in the first half of the 1980s headed its Special Indian Ocean Committee.*

*The interviewees were asked the following questions.*

*I. The present difficult, unstable situation in the country is causing profound concern among Sri Lankans and their friends overseas. What do you see as its causes? How do you assess the possibilities of normalization?*

*And, in development of the issue. Much is now being said and written about Sri Lanka's agreement with India signed on 29 July 1987 and the results of its implementation. I would to hear your opinion.*

*II. What do you think about the situation in the Indian Ocean and the prospects of the creation of a zone of peace here?*

I

T.B. Subasinghe. In speaking of the present difficult situation in Sri Lanka it is essential to bear in mind two factors. The first is the deteriorating economic situation. Under the conditions of the so-called "open economy" imports are virtually unrestricted and huge resources are being borrowed from overseas creditors and spent without any coordination, without planning. This, incidentally, is contributing to corruption. Such is the economic aspect. As a result of the growth of unemployment and other negative changes the living standard of almost 50 percent of the country's population is below the "poverty line". Such is how the social consequences—some, not all, of course—appear. The list could be continued.

The main problem today is exacerbation of the ethnic conflict. Events began to assume an increasingly acute nature. At first this was the "top-level," so to speak, Tamil-Sinhalese conflict—at the bourgeoisie level. But subsequently, with the deterioration in the economic situation, the accelerated population increase, the narrowing of the possibilities of activity in agriculture, industry and so forth, the growth of unemployment and the intensification of the difficulties involving access to university education, tremendous dissatisfaction with this state of affairs and, in addition, consternation among both Tamils and Sinhalese, particularly the youth, were manifested with full force. In this situation, instead of pondering the social and economic causes of the exacerbation of these problems, Tamils, as the national minority, considered that their adversities—unemployment and other troubles—stemmed wholly and fully from the fact that they are the minority while

the country is governed by those belonging to the majority. And, naturally, they started to act. At first they declared that they wanted a federation, but there was no progress here. And they went one step further, declaring that a separate state was a necessity. Initially this was a peaceful demand.

Later the movement was joined by many young people, who took up arms. The government had to respond, and did so. Also with the use of arms, and even more sharply, what is more.

India was forced to have its say inasmuch as the Tamils in Sri Lanka are linked with the Tamils in Southern India, that is, Tamil Nadu, where there are 50 million of them. As far as culture, language and much else is concerned, they are in no way different from the Tamils of our country, and relations are maintained between them. Naturally, the Tamils in India are helping young Tamils of our country in one way or another in their struggle. This is a serious problem for the Indian Government. It attempted to persuade these people and the Sri Lankan Government to come to some political solution by way of negotiations. But the negotiations dragged on and on.

Ultimately it reached the point of the Sri Lankan Government and its armed forces proving unable to control the situation. The government decided to invite in Indian peacekeeping forces: President J.R. Jayewardene signed the corresponding agreement. Such is the political aspect of the conflict.

It is now a question of the partial delegation of authority to the provinces and the formation there of governments with a certain autonomy—but given preservation of the unitary form of state arrangement.

In connection with the signing of the agreement letters were exchanged between the Sri Lankan president and the Indian prime minister. This was very important inasmuch as India had always expressed concern in connection with the fact that the United States was looking for certain facilities for itself in our country. For the refueling of combat equipment, for example. Or a relay center for VOA broadcasts, and it was not only, what is more, a question of conducting propaganda at all of Asia, including the Soviet Union. It was also intended using the center for the communications of the U.S. Navy in the Indian Ocean with Diego Garcia and other military bases. It was to have been the pivotal component of a communications system. Of course, this gave rise to concern in India. In his letter to R. Gandhi President J. Jayewardene gave an assurance that our country would permit no operations resulting in facilities on its territory being used for purposes hostile to Sri Lanka or India and also third countries.

I cannot say that this has been complied with in full. But I believe that President Jayewardene will have to keep his word if he wishes to ensure security and win recognition as a statesman.

B. Fonseca. If 5-6 years ago someone had said that the situation in the country would be unstable, such a person would simply not have been understood. But to cut a long story short, we have a minority problem. As in the majority of countries—I do not believe that there are three-four countries even which have no such problem. The minority is demanding rights of self-government, demanding concessions. They call them rights, I am prepared to accept this terminology. They believe that they are being unfairly treated. Approximately 4 years ago all this began to take on acute forms. There was a serious incident in the north of the country. Thirteen soldiers died, having set off a mine, and this caused an explosion of anger throughout Sri Lanka, particularly in the south. A wave of violence erupted, which was extremely deplorable.

Subsequently those who declared that they aspired to the creation of a separate state were supported from overseas. They continued the campaign of violence with weapon in hand. Our country does not manufacture arms. These weapons were either supplied or purchased and brought here. And at this time, when everyone was telling us of the need for a political solution, we attempted to arrive at such a solution. Consultations were held for at least 3 years, and, as far as I recall, by June last year the army had scored certain successes in a number of areas of the Jaffna peninsula. It was getting the better of the separatist groups, seemingly. The armed struggle was subsiding. But we were hereupon told once again that there could not be what is called a military solution and that there had to be a political solution. This was demonstrated to us on 5 June, food being airlifted from India, to which the Sri Lankan Government had not given its consent. Nonetheless, the consignment was delivered to the peninsula. The picture was subsequently clarified. We were to come to an agreement with Delhi because the question concerned Tamils, the bulk of whom lives in India. These latter were operating from Indian territory, giving instructions to those conducting the struggle in the north of Sri Lanka.

Given such circumstances, the 29 July 1987 agreement between India and Sri Lanka was concluded. But this was an agreement signed by the governments of two sovereign states. The Sri Lankan Government agreed to certain political concessions and recognized Tamil minority rights, including the creation of constitutionally enshrined structures known as provincial councils. They would be created not only in the North and the East but in all nine provinces of the country. The Northern and Eastern provinces would temporarily be regarded as one administrative unit—until a referendum had been held in the East on whether its inhabitants wished to be part of a single province. Such was the arrangement with India, and the Sri Lankan Government is adopting

measures for its realization. The Provincial Councils Act had already been adopted. And, obviously, elections to the councils will be held as soon as possible (1).

The Indian Army meanwhile undertook the job of disarming the Tamil separatist groups. All groups aside from one known as the Liberation Tigers of Tamil Eelam (LTTE) accepted the agreement. The Indian Army is attempting to disarm the LTTE. It has done so on the Jaffna peninsula and is now taking action in Eastern Province and the rest of Northern Province. Such is the result of the 29 July 1987 agreement, and I would like to hope that the political solution for which it provides will be achieved and that the stability about which you spoke in your question will return to our country.

At the same time you have spent here, in the southern part of the country, a week now, and in spite of all that about which much is written in the foreign press, you have been able to see for yourself that the situation in Colombo is entirely normal, have you not?

Of course, there are incidents. A very popular political leader was recently assassinated (2). But the main thing is that until recently our country simply had not known such a type of violence—armed violence to achieve political ends. We have endeavored to solve our problems peacefully, without recourse to weapons—both between ourselves and with our neighbors. I believe that the situation will stabilize in time.

## II

T.B. Subasinghe. Sri Lanka was one of the first countries to propose the creation of a zone of peace in the Indian Ocean. This was in 1971. The socialist and communist parties were then in office together with the Freedom Party led by S. Bandaranaike. We adopted the joint decision to appeal for the creation of a zone of peace. This position was supported at the nonaligned conference in Lusaka. The question was subsequently studied in the United Nations, and a majority of states approved the idea of declaring the Indian Ocean a zone of peace. The UN Special Indian Ocean Committee was formed. Following a number of consultations and discussions, it was joined first by the Soviet Union, then the United States and subsequently by many other countries whose trade routes run across the Indian Ocean.

Discussions were held, and the year for an international conference in Colombo was determined time after time, but the Western powers headed by the United States prevented its convening, finding every conceivable pretext. One was the presence of Soviet troops in Afghanistan. Another was the Iran-Iraq conflict. But the real reason for the postponements was, in my view, the United States' aspiration to prevent the Indian Ocean being proclaimed a zone of peace. Why? Because it has military bases there—in Western Australia, in East Africa and in Oman and Saudi Arabia. And on Diego Garcia there is a base which is, I would say, technically

the best equipped throughout the region. There is in addition a base in Simonstown in South Africa. All these bases encircle the Indian Ocean. Ships, aircraft and submarines carrying nuclear weapons "stroll" about the region totally unrestricted. And the United States has no wish to lose these privileges.

What is happening in connection with the conference is explained not by the fact that the littoral states are campaigning insufficiently actively for its convening. This is not the case. The question which arises now is, I believe, as follows: **will the United States and the NATO countries take part in an international conference, which should be convened as soon as possible, or not?** It is a question of a problem of tremendous importance. This formulation of the question is in keeping with the demands for the creation of similar zones in many other parts of the world. It is part of the movement, part of the demands of the governments of many countries and also social organizations advocating complete disarmament and the elimination not only of nuclear but also conventional arms, all arms. This is an intelligent demand, I believe, and other countries will have to lend an ear to it.

B. Fonseca. Let us talk about international security in its broadest understanding. The detente period was brief—approximately 10 years. Wars, on the other hand, have followed on one from the other. These have not been conflicts as such between the great powers or their allies. But wars have been fought virtually everywhere, apart from Europe and North America. Let us take if only a most cursory glance at the map of the world. You can start from the West—from the Caribbean—then move south—to Latin America—and find there various anti-government movements—insurgent and others. Further, to Africa. There have always been interstate problems there—both in the North and in the South. You will find two problems which appear virtually insoluble. I say "virtually" because one always hopes. One is in the Near East, the second, in Southern Africa. And the first affects Asia also, what is more. Much is happening in Central Africa. I refer to Chad, Libya, the civil war in Nigeria in the 1960s and the problems between Ethiopia and Somalia. In a word, there is no shortage of conflicts.

In Asia there has been the Vietnam war. Bangladesh was formed as the result of a conflict. The most acute conflict now, perhaps, requiring immediate solution is the Iran-Iraq war.

So detente, in my view, predominated in Europe and North America, but the rest of the world, our continent included, has experienced and continues to experience many conflicts, in which outside forces have been involved.

The end of detente, on the other hand, has been perceived not only in Europe and North America but in other parts of the world also. The differences between NATO and the Warsaw Pact have had repercussions for

our region also. The strategic concepts of the two main alliances, their security concepts, and realization of the latter are undoubtedly reflected in the situation in the Indian Ocean region.

I believe that all that I have said shows sufficiently graphically that the prospects of the creation of a zone of peace or the peaceful surmounting of the differences in our region are conditioned directly by the state of relations of the two alliances and the two superpowers. Although the declaration on conversion of the Indian Ocean into a zone of peace was adopted in the United Nations in 1971, realization of that of which it speaks has proven—to put it as mildly as possible—quite slow. This has been connected, as I have already mentioned, primarily with the differences between the two main alliances and between the United States and the USSR.

However, what has been said does not mean that the problems which exist between states of the region themselves can be ignored. Hitherto the gravity of these problems had not been perceived inasmuch as differences between the two main alliances and their strategic interests projected onto the Indian Ocean region were continually at the forefront. But now a tendency toward the establishment of a certain mutual understanding between the USSR and the United States, a symptom of which is the INF Treaty, may obviously be discerned. If this trend continues, differences between the two great powers and their allies as a cause of the frustration of efforts pertaining to the creation of a zone of peace in the Indian Ocean will play a lesser part. Paramount then would be the following question, namely: how quickly can the disagreements between states of the region themselves be overcome? It is very important, in my view, that these states begin to think in categories of the solution of intraregional problems without waiting for the removal of all differences between the two alliances.

We already have such examples, although they do not pertain to the Indian Ocean. I refer to ASEAN. We have created a similar organization, which is known by the name of SAARC (South Asian Association for Regional Cooperation). It has already begun to function. I hope that this will help solve certain not only economic but also political problems which exist or, let us say, predominate in relations between the members. A start has been made, in any event.

Of course, the prospects of the creation of a zone of peace would improve sharply were progress to be made in the solution of such problems as the Iran-Iraq war and the Near East conflict. The Soviet Union's statement on the withdrawal of its forces from Afghanistan and the practical steps en route to a solution of the Afghan problem were a contribution to the cause of conversion of the Indian Ocean into a zone of peace. I mention this because I know from my own experience of work in the UN Special Indian Ocean Committee that the presence of Soviet forces in Afghanistan was given by the West and the members of this committee from the ranks of



NATO countries as the reason for or as evidence of the unstable situation in the region—both politically and in the security sphere. It may be assumed that with the settlement of the Afghan problem—and events are moving in precisely this direction, it would seem—no more reasons will be found for dragging out or postponing the conversion of the Indian Ocean into a zone of peace.

#### Afterword

So the conversation is over, the tape recorder switched off. But the desire to comprehend what is happening and catch the threads of the most complex processes unfolding in Sri Lanka and around it has become even stronger, perhaps.

It seemed quite recently, at the start of the present decade, that the model of the republic's socioeconomic development was showing through quite distinctly. It was in some respects reminiscent of the model of the new industrial states and appeared specific to a large extent. The emphasis was put on the rapid growth of financial services, tourist industry, information science, textile and garment industry and the priority sectors of agriculture (tea growing and so forth). Significant prospects were revealed in the sphere of development of the resources of the Indian Ocean—in areas which, as the Sri Lankan press often emphasizes, considerably exceed in terms of size the country's territory. Sri Lanka presented initiatives pertaining to the development of international cooperation in this sphere.

Many of the said trends have persisted even after 1983, when there was a sharp exacerbation of the ethnic conflict. However, they have been seriously deformed, positive processes have weakened and simultaneously the difficulties and contradictions inevitably accompanying the "open economy," which T.B. Subasinghe mentioned, have increased. The ethnic conflict has obviously thrown the country back and brought about a crisis in all spheres of the life of society. It is not difficult to imagine, for example, how the fact that military spending in the time of the conflict has more than tripled might have affected the solution of the country's socioeconomic problems. In 1987 it amounted no more, no less to 10.7 billion rupees (approximately \$300 million), exceeding 15 percent of spending in respect of all budget items.

The causes of the conflict are seen in Sri Lanka variously. Some people put the emphasis on socioeconomic factors (this is typical, specifically, of representatives of opposition forces), others, like B. Fonseka, distinguish purely national factors and emphasize their autonomous nature. The assessments of the possibilities of the Sri Lankan Government and the army for independently solving the problems and controlling the situation differ appreciably also.

One way or another, seemingly, a most acute ethnic conflict had arisen under the impact of a set of factors—historical, socioeconomic, national—which essentially

reached the international level. An exceptionally complex configuration of national interests of Lankan Sinhalese and Tamils, Indian Tamils and of Sri Lanka and India as a whole had taken shape. The clashes of all these interests assumed crisis proportions. Emergency measures and difficult decisions primarily to save human lives and stop the bloodshed were required.

It was clear from the discussion how equivocally the commitment of Indian peacekeeping forces is perceived in Sri Lanka (there are, naturally, other viewpoints, extremist included, also). At the same time, however, it is symptomatic that my interlocutors—granted all the differences in their evaluations—agree on one thing: it is essential to comply with the agreement with India, it must "work," there being no ways of settling the conflict outside of it. It is also important that it has been possible thanks to the agreement to prevent realization of the designs of military strategists over the ocean who hoped to use Sri Lankan territory for purposes hostile to other countries.

What further subjects for contemplation are induced by the conversations with the Lankan politicians? The need, surely, for a tactful approach to national problems and the fact that neglect thereof would lead to the severest consequences and engender extremism and violence. At the same time the development of the situation in Sri Lanka has shown as clearly as can be the futility and danger of militant separatism, which upon examination has proven to be aimed against the interests of both the Sinhalese and the Tamils. The country is experiencing the so painful discrepancies of the economic, social, humanitarian and other relations which have evolved.

And, further. The ethnic conflict has led to terrorism penetrating increasingly deeply the fabric of the country's political life, if not people's daily life. I did not wish to argue with B. Fonseka when he said that things were calm in Colombo. The situation really should not be dramatized. Nonetheless.... I saw the sites of recent explosions in the busiest parts of the city and police with machineguns in horizontal position on the roads. And the assassination of V. Kumaranatunge made an already bad situation worse.

There is, it seems to me, a definite connection between the prospects of normalization of the domestic situation in Sri Lanka and a solution of the question of the creation of a zone of peace in the Indian Ocean. Indeed, Sri Lanka was the sponsor of this most important international initiative, and much will depend on its assertiveness now also.

Attention is called to the fact that both T.B. Subasinghe and B. Fonseka consider the main obstacle the destructive position of a number of Western countries. I heard B. Fonseka, for whom the creation of a zone of peace has

become the paramount direction of his political activity and, perhaps, his main concern in life, say sorrowfully in a speech that the West's position on this question represents a "frightful jumble".

At the same time, however, I would wish to take issue with, for example, his interpretation of the question of the differing strategic interests of the two alliances and "superpowers" and the arrangement of emphases which he suggests. It transpires that both are seemingly endeavoring to obtain military advantages for themselves. There is no mention here either of the qualitatively and quantitatively incomparable levels of their military presence or of the fact that the "strategic interest" of the USSR and its allies means a guarantee in the region of security for all based on a radical reduction in arms and the military presence.

At the same time, however, I believe that it is essential to bear in mind that it is precisely thus, through the prism of "the differences of the strategic interests of the two superpowers and their allies," that this problem is seen by many people both in Sri Lanka and outside. Such is a political stereotype of the thinking of today which has far from been demolished as yet.

Whatever the hierarchy of contradictions and differences in the way of conversion of the Indian Ocean into a zone of peace, I believe that B. Fonseca is undoubtedly right in that there is a very substantial seam of intraregional problems, the role of which will in time grow. Considerable work will obviously have to be done to settle the disagreements on such issues as the attitude toward nuclear weapons and nuclear-free zones, ways of strengthening security and the directions of regional cooperation. A difficult search for possibilities of the conjugation of global, regional and national interests has now begun, it would seem, in the political and scientific world.

And, finally, one last point. Both interviewees emphasized the close relationship between progress on the path of solution of the Afghan problem and the Soviet Union's constructive position on this question on the one hand and the formation of a zone of peace in the Indian Ocean on the other. There is one further most important segment of world politics in which the tremendous role of the active policy of the governments of the USSR and Afghanistan, aimed at a peaceful political settlement, and the international significance of the Geneva "package" of agreements are being manifested. The main and essentially sole pretext for the delaying of a conference on the Indian Ocean is removed. A qualitatively new situation is taking shape in the region.

#### **We Present the Interviewees**

A. Volkov

#### **'I Believe in the New Thinking'**

In his 75 years T.B. Subasinghe has performed much fruitful work in the offices of chairman of the Sri Lankan

Peace Council, vice president of the World Peace Council and president of the Lankan-Soviet Friendship League.

He was born to a well-to-do family. He studied in the universities of Colombo, Bombay and London. In his student years even he was endeavoring to find his place in the national liberation struggle of the peoples of the British Empire and participated actively in meetings and demonstrations conducted by progressive British organizations. It was at this time that he began to study the works of K. Marx, F. Engels and V.I. Lenin.

Meetings and contacts in London with J. Nehru and I. Gandhi were of great significance for T.B. Subasinghe. It was here that he became close to K. Menon.

In 1946 T.B. Subasinghe returned to Ceylon and in 1947 was elected a member of parliament. He was appointed Solomon Bandaranaike's deputy premier for foreign affairs and defense and performed a number of responsible government assignments: he took part in the international conference on the nationalization of the Suez Canal organized by British Prime Minister A. Eden in 1957 and in 1957 went to Moscow as part of the Ceylonese delegation for the signing of an agreement on the establishment of diplomatic relations with the USSR. This was followed shortly after, however, by his resignation from all positions in protest against S. Bandaranaike's rejection of the accords which had been reached with leaders of the Tamil minority on granting the Tamils partial autonomy and their guarantee of political rights.

The next stages of T.B. Subasinghe's political activity were election as speaker of parliament and appointment as ambassador at large in the United Nations. As of 1961 T.B. Subasinghe was ambassador extraordinary and plenipotentiary to the USSR. The years spent in the Soviet Union, according to him, occupy a special place in his life. He traveled about our country extensively and made the acquaintance of prominent statesmen and public figures, scientists and working people of city and countryside.

After his return to his homeland, T.B. Subasinghe was once again elected to parliament, and in the Sirimavo Bandaranaike government occupied the position of minister of industry and commerce. A policy of expanding the public sector in the economy, given the simultaneous encouragement of small private businesses, was pursued under his leadership. Steps were also taken in the direction of the nationalization of foreign trade.

In the first half of the 1970s the S. Bandaranaike cabinet underwent a difficult period. Conflicts among its members intensified. A government crisis was coming to a

head. In 1976 T.B. Subasinghe submitted his resignation and subsequently quit parliament, devoting himself entirely to activity in the peace movement. "All my life," T.B. Subasinghe says, "I have endeavored to assist the development of understanding between peoples for without it there can be no lasting peace in our world. It is gratifying to see that the efforts of the peace supporters are bearing fruit. I believe in the new thinking. However, it still has to be fought for."

#### Leading Specialist on the Indian Ocean

Ben Fonseca was born in 1925. He is one of the country's most senior diplomats. His career began in 1949. In his 35 years of service in the Foreign Ministry he has been ambassador in Delhi, Cairo, Nairobi, Washington and Beijing and also Sri Lankan ambassador at UN Headquarters in Geneva. He spent the last 3 and one-half years of his career in New York as Sri Lanka's permanent representative in the United Nations and held the position of chairman of the UN Special Indian Ocean Committee.

In 1984 B. Fonseca resigned as director general of the Sri Lankan Foreign Ministry and went into business. He held a high position in Ceylon's Mineralogy Corporation. He is currently chairman of the Ceylon Freight Shipment Office.

B. Fonseca is deservedly considered the leading specialist in Sri Lanka on the Indian Ocean and often addresses various international and regional forums.

#### Footnotes

1. In some provinces elections have been held as of the end of April—after the interviews were conducted (editor's note).

2. It is a question of V. Kumaranatunge—leader of the Sri Lanka People's Party. It was expected that he would be the single candidate of the opposition parties at the 1989 presidential election (editor's note).

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**Outline of K. Matsushita's Business Philosophy**  
*18160010h Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian*  
No 6, Jun 88 pp 115-118

[V. Khlynov letter from Tokyo: "The 'King of Japanese Electronics' Speaks"]

[Text] Were there no Matsushita Electric, nor would there be a so economically powerful present-day Japan. This is considered axiomatic for the Japanese economy's postwar development.

#### I

Formed seven decades ago, in May 1918, the Matsushita Electric company has since the war become one of the world's biggest electrical engineering corporations. It is sixth (only 39th at the start of the 1980's) on the list of the 500 biggest (in terms of sales) non-American industrial firms published by the American FORTUNE magazine (1). Noting the company's phenomenally rapid advance to the category of world industrial giants, the American Japanese specialists J. Abegglen and G. Stalk emphasize particularly that the sale of its products has throughout recent years grown annually by an average of no less than 15 percent (2).

Matsushita Electric's positions appear highly impressive. According to company figures, in the first 6 months of the 1987/88 fiscal year alone its total sales were in excess of 2.3 trillion yen, and pretax profits amounted to 197.2 billion yen, which are 3 percent and 1 percent respectively more than in the first 6 months of the preceding fiscal year.

Matsushita Electric's positions are strengthening both in Japan itself, where the company accounts for approximately 10 percent of electrical engineering product sales, and on foreign markets (3). On the foreign trade publicity map adorning its headquarters in Osaka it is increasingly difficult to find a country in which its product—from ordinary home electrical commodities through the most intricate video and computer equipment under various trademarks, including Panasonic, Technics, Matsushita and others—is not finding an increasingly extensive market.

It is of no small importance that Matsushita Electric has scored such pronounced successes on the path of production designed to satisfy mass consumer demand. The firm manufactures peaceful products and has no direct connection with military industry. This policy of Matsushita Electric ensues from the philosophy of its founder, Konosuke Matsushita, who has had a long and complex life. As a mark of respect and for services to the economy he is frequently called the "king of Japanese electronics". Now, in his 93d year, he holds the position of company chief adviser.

K. Matsushita reduces the essence of his philosophy to three basic propositions: patriotism, the prosperity of mankind and peace throughout the world. He formulated his philosophical beliefs for the first time back at the start of the 1930s. Assembling all the firm's workmen at that time, K. Matsushita declared: "...Matsushita Electric's main task... is to produce as many goods as possible in the name of peace and the prosperity of the whole world" (4).

In numerous books and articles written since the war and devoted to various questions of management and, through the prism of the latter, to global problems the

veteran of Japanese business has endeavored to comprehensively substantiate his ideas. K. Matsushita's works characterize him not only as an experienced manager but also as a subtle psychologist and exceptional philosopher. Let us turn to those of them which permit a better understanding of his "secrets" of production management.

K. Matsushita believes that the efficiency of operation of the human factor depends on two interrelated aspects: the objective self-appraisal of the workman and trust in him on the part of the manager. "I am convinced," he writes, "that a healthy self-appraisal and a capacity for being objective are the qualities which corporate management must cultivate in the workmen.... They cannot be taught how to act correctly in every situation. But it is possible to focus the workman's attention on constantly remembering the importance of commonsense.... A person who is capable of objective self-appraisal knows his own shortcomings and at the same time is fully resolved to evaluate the situation correctly. Without these qualities and a desire to acquire them he will not go very far.... The firm uniting such individuals will be strong and prosperous and will be in a position to multiply its contribution to the development of society."

It is essential that the manager believe in the workman: "I have noticed that people usually display a greater desire to cooperate when their opinion is heeded than when attempts are made to teach them how to do this or that. My long observations indicate that businesses in which the top executives trust their workmen and commend their merits are considerably more successful. And, conversely, when the president is the type of manager who is constantly complaining of the incompetence of his workmen, the company is usually in difficulty.... The 'I am better than you' position adopted by a high executive could cost him everything."

Whence the following essential element of the efficient management of a firm—"collective wisdom". "A proprietor or manager," K. Matsushita writes, "must also have a constant desire to lend an ear to what his subordinates are saying about the management and day-to-day functioning of the company. This position is an essential part of effective management based on the firm's collective wisdom. If the top manager does not lend an ear to the workmen's opinions, the upward connection is quickly disrupted and a dangerous void is created. The workmen will understand that in making suggestions concerning an improvement in the quality of commodities or the activity of the business as a whole they are simply wasting their time...."

Emphatically opposed to bureaucratic methods of management incompatible, he believes, with the principle of collective wisdom, K. Matsushita emphasizes: "An erudite and competent executive occupying a high position is probably capable of alone leading the workmen to success thanks to a capacity for humane management. However, I will never be persuaded that the lone leader,

however capable and whatever authority he possesses, can alone manage an organization better than by relying on the joint wisdom of all his subordinates. Individual or dictatorial management based to a considerable extent on one man cannot continue for long. It is inevitably doomed to fail for one reason or another."

## II

The thoughts of the "king of Japanese electronics" in connection with so-called "creative management"—a further essential factor of a firm's efficient functioning—are pertinent. K. Matsushita, in particular, believes that such ("creative," in his terminology) management incorporates the following obligatory elements.

**The endeavor to work today if only somewhat better than yesterday.** "Everything that we do may almost always be done somewhat better. Technological innovations confirm this. Progress develops both spasmodically and evenly; breakthroughs and new inventions emerge at the very time when a product, which yesterday even was new, suddenly becomes obsolete. Such progress is possible only given a belief that any undertaking can always be done better."

**Permanent ties to the consumer.** "The mission of the tradesman is primarily to purchase a commodity from a supplier or manufacturer and sell it to a consumer.... But this is not all. The wholesale and retail tradesman is also an important connecting link between the consumer and the producer. He is in a position to get to know best what the consumer wants and to notify the producer accordingly ...and help himself to improve trade and even contribute to the development of ideas pertaining to the manufacture of new products."

**The impermissibility of receiving defective products from sub-suppliers.** "We cannot detach ourselves from defective goods supplied to us, constantly returning them to the supplier. This is a waste of time and effort.... Use of an imperfect part is fraught with the most disastrous consequences. For this reason the subcontract company must understand the extremely vital necessity of the removal on the spot of all defects. I believe that the fine pursues precisely this goal. It represents an ultimatum to the supplier requiring the elimination of shoddy work in his products...."

**Entrepreneurial intuition.** "Many people, young people particularly, do not believe in intuition, considering it an unscientific and, consequently, unreliable feeling. However, I am convinced that although scientific management methods should be used in the majority of cases, we can ultimately rely on intuition.... In any event, I am convinced that an undue preoccupation with scientific precision deadens and devastates business even."

**Practical independence or possibility of choice.** "In recent years there has been a growing tendency toward a vertical system of relations whereby the wholesaler, dealer

and retailer have business relations with some one company.... Can we assume that a business or company operating on the basis of such a system will be successful? I believe not, unfortunately. Whether there is success or not is largely determined by the capabilities of the person responsible, but even more by what I call 'independent management'.... When a business obtains products from several manufacturers, its proprietor feels independent.... It is his business, he buys and sells in accordance with his ideas... and opportunities.... When, on the other hand, he deals only with a single company, he feels subordinate to this manufacturer."

**Profitability of a business.** "It is necessary to be firmly convinced that the loss of money on any business transaction is an evil.... The really responsible manager begins and ends an undertaking proceeding from the fact that it must be profitable."

**Daily progress of a business.** "Wisdom consists of remembering that trust merited in the past is not that strong today.... The successful enterprise executive must constantly be in step with the times and have a feeling for what the consumer wants; he must exert constant efforts to meet each new requirement of a client, earning trust from scratch day after day."

**Production and management flexibility.** "No era has known such constant and rapid changes as ours, perhaps.... Management must conform to the times. A sorry future awaits companies which continue to apply the same old methods of management."

K. Matsushita considers the so-called "service spirit" an essential aspect for the efficient functioning of the modern firm. He includes in this concept the "unwritten contract," advertising, after-sales service, an attentive attitude toward customer complaints and subordination of production to the interests of the consumer. Speaking of the "unwritten contract," he observes: "A customary practice prevalent among many manufacturers and tradesmen amounts to doing business on the basis of specific orders received in advance. However, the majority of Japanese businessmen operate without any advance orders, and the consumer purchases what he needs and what is available at this time on the market.... In other words, there is no written agreement, but a company has an unwritten contract with the people who purchase its products.... I regard this demand as an unwritten contract inasmuch as it obliges the supplier to produce what the consumer needs."

Emphasizing the importance of advertising, he writes: "The role of the manufacturer... is to manufacture high-grade commodities which people find essential and useful. However, his activity incorporates something more: he must also comprehensively notify the public about his products.... The basic purpose of advertising is not so much to achieve increased sales as to communicate to people useful tidings."

K. Matsushita attaches extraordinarily great significance to the organization of high-quality service of the consumer after he has acquired this commodity or the other. "After-sales service," he writes, "is the key to keeping your clients. Whatever good product you supply to the market, the consumer will not come to you again if you do not provide him with just as good after-sales service.... Therefore when you are studying the question of expanding production, you should first of all ask yourself whether you can meet this obligation, that is, can provide high-quality service."

And further, concerning consumer complaints: "...Such complaints are of value: they afford an opportunity for making contact with the consumer. He who does not complain has evidently decided to never again purchase your company's commodities.... Of course, if you turn your back and fail to respond to the complaints or simply rudely reject them, you will be putting an end to the influx of clients. Therefore every time you are reproached by consumers, look for an opportunity to establish closer contacts with them.... The worst thing you can do is to ignore the complaint."

Explaining the idea of the subordination of production to the interests of the consumer, K. Matsushita writes: "The consumer is king; he is more powerful today than yesterday.... The role of the devoted subject is to help the king make the correct decision. Then together, the wise ruler and his loyal subjects are in a position to ensure the burgeoning of society and the nation."

### III

A significant place in K. Matsushita's business philosophy is occupied by the question of "social responsibility". He understands by it the common responsibility of all—from the executive to the ordinary workman—for the efficient functioning both of each firm individually and the entire economy as a whole. Such responsibility, he believes, may be materialized only given the operation of a whole number of factors: the presence of the "public eye," the company's right to a fair share of profit, the businessman's rational and intelligent approach, honest competition and a combination of material and spiritual requirements.

"The expression 'public eye'," K. Matsushita writes, "awakens in me the idea of some arbiter, some assessment of truth and untruth, justice and injustice. I lend an ear to people's opinion and consider their judgments final. A capacity for believing in collective wisdom is very important for business. It makes it possible to move forward positively and confidently...."

The "king of Japanese electronics" expresses the following viewpoint in connection with profit: "Only as a result of obtaining a reasonable share of profit—not too high and not too low—can a business expand its activity and render an increasingly large number of people more and more services.... At the same time, however, we must

endeavor constantly to obtain our share of profit fairly. Dumping, supercompetition and other such methods ultimately demolish the efforts of everyone and all of industry as a whole."

Emphasizing the need for the businessman's rational and intelligent approach, he writes: "For the normal running of any business it is extremely important to conduct oneself and manage the company such that this contribute to its prosperity not only today but in the future also. As a manager, you are obliged to be rational, which means paying the greatest attention to the smallest details.... The shortcomings of superficial management are typical not only of small and mid-sized firms. There is a tendency to ignore details even at big ones. Initially the consequences of this are imperceptible, but the company gradually begins to run into new difficulties, which snowball to the point where they become irreversible."

K. Matsushita attaches great significance from the viewpoint of "social responsibility" to honest and healthy competition. "There is no place in economic competition," he emphasizes, "for competition for competition's sake. It represents a means of achieving the best results.... For this reason only healthy competition contributes to the common cause. It stimulates industry and innovations and motivates the workmen to improve the results of their labor. Whereas monopoly causes stagnation, competition nurtures progress.... Each participant in competition, be it the manufacturer, supplier or retail tradesman, must act honestly and fairly. No one should aspire, and he should not be permitted, to sidestep others by taking advantage of his political influence, for example... or manipulating great financial power. Such methods at first lead to anarchy and then to the complete collapse of industry."

K. Matsushita emphasizes the need for the consideration of both man's material and spiritual requirements. "The role of business and industry," he affirms, "is to respond to people's needs and improve the quality of their life by way of the production and distribution of as wide a selection of goods as possible. ...However, we do not live by bread alone; the possession of material comfort does not guarantee happiness in the least. Only spiritual riches can bring true contentment.... The businessman... must be capable of contributing to the creation of a society which is spiritually rich and materially prosperous."

On the basis of long experience K. Matsushita concluded that for the efficient functioning of a firm great significance is attached to the honest recognition and unflinching consideration of all mistakes and blunders in management. "Difficulties and dilemmas," he says, "are customary components of business. Sometimes we can cope with them, sometimes we find ourselves clearly at an impasse. In the latter case it is necessary primarily to

remain cool and prudent. ...Ultimately failures make us wiser and setbacks provide us with much valuable experience enabling us to avoid them subsequently."

Finally, very appreciable significance, K. Matsushita believes, is attached to the capacity of the manager for making the right decision. "When a single decision," he maintains, "can influence the future of an enterprise, the person empowered to make this decision assumes a heavy burden. ...Making the right decision means being able to size up the situation precisely...."

And further: "Decisions are not made in a vacuum—many people in each phase exert their influence on this process. ...Any manager can gain a lot if he knows the ideas, reaction and proposals of his workmen. However, in order to make the correct use of feedback he must possess a capacity for unbiased vision."

Such are the principles of the philosophical-entrepreneurial concept of the "king of Japanese electronics". We may agree with them or not and consider them the thoughts of an idealist or pragmatist, but it remains a fact that the realization of this concept in the company which K. Matsushita established produces big results. It is for this reason that his business philosophy is giving rise to big interest not only in Japan but in many other countries also.

#### Footnotes

1. FORTUNE, 3 August 1987, p 183; 22 August 1983, p 171.

2. J.C. Abegglen, G. Stalk, "Kaisha. The Japanese Corporation," Tokyo, 1987, p 187.

3. DAILY YOMIURI, 18 October 1987.

4. Konosuke Matsushita. "Not for Bread Alone. A Business Ethos, A Management Ethic," Kyoto, Tokyo, 1984, p 22 (subsequently all K. Matsushita's statements are quoted from this book).

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**U.S. Policy Seen Inducing Foreign Policy  
'Restraint' Oleshchuk; pp 119-124**  
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MEZHDUNARODNYYE OTNOSHENIYA in Russian  
No 6, Jun 88 pp 119-124*

[Yu. Oleshchuk comment: "The Budget Deficit and U.S. Policy"]

[Text] *The problem of the federal budget deficit has moved to the forefront of U.S. political life in the 1980s. The American affairs specialist Yu. Oleshchuk, candidate of historical sciences, shares his thoughts on certain aspects of this problem.*

The reasons for the increased interest in this question are understandable if we look at the dynamics of the deficit's growth. In the 1930s it amounted to approximately \$3-4 billion annually. Then it leaped for a certain time—the government had to borrow heavily to finance military spending in 1942-1945. In the period 1946-1953 the total deficit constituted only \$4.4 billion, in the period 1954-1969, \$69.7 billion, increased in the 1970s to \$374.3 billion and in the period 1980-1986 had further increased to \$1 trillion. By the middle of the current decade the annual deficit level was in excess of \$200 billion (1).

Whereas in the 1960s and 1970s politicians had virtually nothing to say about the deficit and the mass media made only scant mention of it, in the 1980s it has become a real talking point. In the election fight against J. Carter in 1980 R. Reagan predicted a dim future for the country if the budget imbalance were not removed. Subsequently representatives of both parties began to pay increasingly great attention to this problem.

For a long time the Republicans and Democrats tried to heap the blame for the growth of the deficit on one another. But most recently a certain gravitation toward cooperation has emerged, which testifies to the extreme seriousness of the situation.

Although in the argument concerning the deficit there have been purely party calculations also, the essence thereof has been determined by important political and ideological disagreements between the right and moderate-reformist currents or conservatives and liberals. The argument has its roots in the different ideas about the socioeconomic role of government. The Republicans aspire to limit this role and in no event permit a growth thereof. The Democrats wish to expand it. It is this fundamental disagreement which gives rise to the dissimilar attitude of the two toward the deficit. More precisely, did give rise right until recently. Democrats usually closed their eyes to the growth of the national debt since an expansion of government control in the socioeconomic sphere presupposed a rapid growth in budget spending, which had as a consequence an increase in the deficit. Endeavoring to replenish the revenue items of the budget, they advocated increased taxes. But this method of financing proved inadequate, as a rule, and it was necessary to extend government borrowing.

The Republicans were calling for "financial prudence" and warning against the danger of "living on credit" even before the deficit had become the present most serious problem. It was not a question, of course, of the conservatives being more prudent and responsible than their political opponents but rather of the endeavor to undermine the "activist" concept of regulation, weakening its material basis.

One further particular, but highly material question began gradually to become interwoven in this old argument: what budget outlays are deficit-forming to the greater extent—social or military? The conservatives maintained the first, liberals emphasized the role of the second. The dispute arose after social appropriations in the 1960s and, particularly, in the 1970s increased several times over and became a major budget expenditure "block". Spending for military purposes has moved sharply upward in the 1980s. And it is in the past two decades that an unprecedented growth in the deficit has begun. The right flank, for which spending on arms represents a "sacred cow," and spending on social needs, a "waste," naturally inveighed particularly against the latter. The liberal-moderate wing, which considers such outlays a vital necessity for the secure functioning of the social system, displayed just as natural a disposition to blame for the deficit primarily the growth of military spending.

It is obvious that the liberals were closer to the truth. First, much social spending is defrayed by specially imposed taxes, which is not the case in respect of military appropriations. Second, attention has to be paid to the following correlation: each time the government has agreed to a sharp increase in military spending, there has been just as sharp a growth of the budget deficit. This was the case at the time of WWII. So it was also at the end of the 1960s and the start of the 1970s, when the United States was waging war in Vietnam. Such, finally, is the case in the 1980s also, when an unprecedented growth of military spending (given a reduction in the rate of growth of social appropriations) is being accompanied by an unprecedented deficit increase. Finally, it should also be considered that the economic effect of social and military outlays is different. The first stimulate development of the economy inasmuch as they lead to an expansion of effective demand (through various payments) and the increased skills and educational level of the workforce (that is, contribute to the creation of a higher-quality product). And the expansion of production brought about by these factors increases budget tax revenues, that is, leads to a reduction in the deficit. As far as military outlays are concerned, the bulk of them grows numb in the military product, from which the government receives no revenue.

Nonetheless, in the argument about the origins of the deficit the right picked up more points in the 1970s than the liberal-moderates for two reasons. One was the rapid growth in social spending in the 1970s and its advance to first place in the budget "expenditure blocks," which made it more vulnerable to charges of "deficit-formation". Military spending, on the other hand, which in the 1970s increased at a more modest pace, remained overlooked. The second reason was the broad dissatisfaction with the tax burden which arose in the same decade, particularly in the latter half thereof. It came to the point even of "tax revolts," to the well-known referendum in California in 1978 on a reduction in real estate taxes, which was supported by a majority of the



population. Against the background of such sentiments it was not difficult to understand the irritation of many Americans brought about by certain social programs who were convinced that it was social spending which was the source of the deficits. As the sociologist T. Edsall wrote, "the opinion that spending on social welfare has negative budget repercussions became widely established in the 1970s" (2).

By the end of the 1970s the political-propaganda victory of the conservatives had become apparent, and R. Reagan was able to profitably raise in the 1980 election struggle a two-sided subject—the need for a reduction in the deficit and the impossibility of this without cuts in social items of the budget. According to an opinion poll conducted in August, 66 percent of Americans agreed that it was essential to eliminate the deficit, and 52 percent believed it was worth reducing expenditure on social needs for this. There is no doubt that such a frame of mind was a factor which contributed to Reagan's victory.

But subsequently the situation changed. It was after the reins of government had been taken over by the Republican administration that the national debt began to grow at an unprecedented rate. And there was simultaneously a rapid growth in the resources allocated the Pentagon. This put the conservatives in the position more of the defending rather than attacking side, and their opponents were afforded an opportunity for switching to the attack.

True, the latter did not avail themselves of it all that effectively. The fact that the liberals were no longer playing the leading part in the Democratic Party, as before, had an effect. The party was not in a mood to oppose the hypertrophied military spending too emphatically or, equally, adopt the position of unconditional defender of an increase in the social budget.

True, some Democratic Party figures nonetheless attempted to make the deficit problem the trump card in the struggle against the Republicans. Among them was R. Lamm, governor of the state of Colorado. "...Debts are like heroin," he said in an interview. "They are uplifting for a time, but the long-term consequences are catastrophic." Lamm warned that the debt could bring about a chain of consequences whose final link would be no more no less than the collapse of the present political system. He had recourse to far-reaching analogies here. "You know yourselves," he maintained, "that it was primarily economic problems which prepared the ground for the Hitler regime in Germany and for Mussolini's fascism in Italy." To a correspondent's question of whether something similar could be anticipated in the United States, Lamm replied: "Why not? The debt and inflation could have a great destabilizing effect—political and social." But R. Lamm's so abrupt tone was not supported in the party leadership. W. Mondale, Democratic presidential candidate at the 1984 election, raised the subject of the deficit, but in a considerably milder

form. He simply reproached the Republicans for having failed to keep their promises to end the deficit and for having thereby jeopardized the country's economic health, having permitted a tremendous increase in the debt.

For their part, the Republicans changed their tactics also. They derived their arguments from the results of the discussion of the draft budgets in Congress. Sending the legislators budget proposals for the coming fiscal year, each time the White House provided for a reduction in spending of \$40-50 billion (at the expense of nonmilitary, mainly social, items). And each year, with the exception of the first, 1981, Congress restored many nonmilitary reductions and cut the military requests somewhat, which ultimately led to a reduction in the spending economies planned by the administration. The President took advantage of this, charging Congress, the Democrats particularly, with the fact that it was their attitude toward the administration's draft budgets which was preventing a reduction in the deficit: "Each budget which we have presented since I have been here has been less than that to which Congress has ultimately agreed. So it is easy to see who is to blame for the failure of our attempts to achieve something more in respect of reduced spending" (3).

Generally, if we attempt to evaluate the political result of the clash between Republicans and Democrats on problems of the deficit in the first half of the 1980s, it would be most correct, probably, to see it roughly as a standoff.

Opinion polls showed to what extent Americans were confused by this argument. Thus to the question of which party was mainly responsible for the growth of the debt 28 percent of those polled in 1984 named the Republicans, 26 percent, the Democrats, and 31 percent, both parties equally. In 1986 a similar poll produced the following results: 23 percent put the blame on the Republicans, 20 percent, on the Democrats, 33 percent, on both. But the standoff is, nonetheless, more an achievement for the Democrats for previously it was they who had the reputation of the big "spenders".

Recently the context of the polemical clash changed once again. The growth of the national debt had reached a point where neither party could any longer give preference to political fencing over real action. As the researcher L. Barret wrote, the President's advisers were constantly reminding him that "the deficit problem had reached danger point" (4). In Congress, according to the NATIONAL JOURNAL, the mood in support of cuts in 1985 "had spread beyond the usual (usually supporting cuts, that is—Yu.O.) group of southern conservative Democrats" (5). As a result the Gramm-Rudman Act—the fruit of party cooperation, which was forced, but which led to quite radical consequences—appeared. The act prescribed the elimination of the deficit by the 1991 fiscal year by way of concerted annual reductions, and if such are not forthcoming, an automatic cut in spending across the board, virtually. A way out had been found,

seemingly. However, this was in fact merely the start of new political and legislative peripeteias. The Supreme Court pronounced the "automatic" clause unconstitutional (the reductions would be effected under the supervision of a body of the Congress, whereas control over spending is the prerogative of the executive). Congress revised the clause accordingly, simultaneously putting back the deficit-elimination boundary to the 1993 fiscal year.

A new round of the struggle between Capitol Hill and the White House and Democrats and Republicans, in which certain traditional motives became intertwined with manifest election calculations, began. This time the White House strictly opposed the clause concerning automatic reductions, fearing that military appropriations could suffer. On the other hand, the Democrats, in control on Capitol Hill, contrived to impart to the clause an appearance which made its rejection extremely difficult. They incorporated it in the bill authorizing the raising of the debt ceiling. Were the President to turn it down, the administration would be left without any money. The press reported that R. Reagan was enraged and was unwilling to sign the bill until the very last minute, calling this subterfuge "blackmail," but he was ultimately nonetheless forced to append his signature.

The fall of 1987 was marked by new clashes. The stock market catastrophe erupted in October, throwing into more dramatic focus than ever the danger of giant deficits. It was generally acknowledged that a cause thereof had been lack of confidence in the stability of economic conditions brought about, specifically, by the incapacity of government authority for tackling the budget imbalance. The task of taking decisive measures in this sphere became very urgent after October. The amended (that is, supplemented by the clause concerning automatic reductions) Gramm-Rudman Act was insufficient. The White House and Congress urgently agreed to meet for the purpose of seeking additional ways of combating the deficit. The more so in that it had by this time been ascertained that the deficit reduction scheduled by the act had not been forthcoming either. According to the original schedule contained in the act, it should in the 1988 fiscal year have been reduced to \$108 billion (in accordance with the subsequently changed version, to \$144 billion). Yet, according to government forecasts, it was to have amounted to \$163 billion, and according to congressional forecasts, even more—\$179 billion. And what looked particularly worrying, what is more, was the fact that the estimates testified to the resumed growth of the deficit (it had for all that been possible in the 1987 fiscal year to reduce it to \$148 billion compared with the \$221 billion in the 1968 fiscal year).

Even the most acute need to do something could not expel party and election considerations from the negotiations which began between the administration and Congress. The administration was unyielding in its intention of protecting military spending (on SDI particularly) from cuts as much as possible. It was not averse to

"recouping its losses" predominantly on the social items—after all, the Democrats would thereby find themselves on the eve of the elections in a disadvantageous position, having publicly changed their intention of increasing this spending (which is advocated by all their presidential aspirants). For their part, the Democrats would have liked the reduction in spending to have affected the social items as little as possible (the military items, accordingly, as much as possible). In addition, they sought to ensure that the gap between expenditure and revenue be partially reduced thanks to tax increases, that is, a greater influx of resources into the budget.

This intention of the Democrats was dictated by electoral calculations. The point being that in the 1980s the Republicans have shown themselves to be the party providing for tax cuts. The Reagan administration has carried through two tax reforms, the first of them (1981), what is more, being the biggest reduction in personal income tax in the country's history. And although the reform was worked out such that the well-to-do strata profited more than the needy, all taxpayers profited somewhat, nonetheless. This has been a most appreciable source of the political strength of the Republicans and Reagan personally. And the President lost no opportunity to take advantage of it in the 1984 election campaign, promising under no circumstances to permit a tax increase. Subsequently he has not let slip an opportunity to reiterate that taxes will be raised "only over my dead body". So the Democrats now hit upon the idea, availing themselves of the emergency situation, to push Reagan aside from the position of "tax watchdog" and thereby compromise the Republicans prior to the elections. According to a NATIONAL JOURNAL report, representatives of the Democratic Party in Congress offered the President a deal: they would not touch military spending, and the White House would consent to raise taxes. But Reagan preferred at that time to take no chances (6).

All this led to the negotiations dragging on. There was even a moment when it seemed that they would collapse. But it was such a prospect which forced the two sides to come to an agreement. Being the one to blame for the failure of the negotiations and showing oneself to be an irresponsible figure guided by purely party considerations in the face of a most serious economic threat—this did not correspond to the party and election interests of either Democrats or Republicans. Not to mention the fact that an incapacity for adopting measures to additionally reduce the deficit could have lent impetus to a new stock market panic with unpredictable consequences. So an agreement to reduce the deficit in the 1988 fiscal year by \$30.3 billion, and in the following year, by \$46 billion, was born.

To evaluate the political consequences of the November agreement, both parties gained rather than lost something. That they were able to reach agreement is seen as a plus in the eyes of many voters. However, time will tell whether there has really been an end to the budget war or

whether this was merely an episode brought about by exceptional circumstances. It may almost certainly be maintained that the clashes and maneuverings associated with the deficit will diminish in line with the reduction in the latter and that the problem will begin to depart from the political foreground. If this does not happen, on the other hand, the battle will most likely break out anew.

The political consequences of the deficit are not, of course, confined to what is happening in the party sphere and to what Congress does. The giant national debt is making its presence felt in policy directly, dictating changes in the system of government priorities. They amount primarily to the fact that it is becoming impossible to regard any expenditure as not being susceptible to the slightest cuts. Everything is having to be correlated to this extent or the other with the reality of the giant debt. And this is lending impetus to critical financial and political thinking and a reconsideration and reassessment not only of expenditure but of policy itself.

Policy in the military sphere is just one example. As is known, it is not the first year that the White House has been unable to win from Congress the requested increase in spending. Congress' position is brought about by a whole number of considerations, military-political included. But financial reasons ensuing from the fact of the deficit are undoubtedly of great significance also. Back in February 1986 the CHRISTIAN SCIENCE MONITOR wrote that "the budget deficit is influencing defense spending." Since the withdrawal of resources from military items is having to be thought about, it is proposed that military policy and its concepts and premises be studied from scratch in order to find what is superfluous in it, what can be done without, what has been built on the basis of dubious calculations and so forth. This critical approach is being perceived increasingly in Congress currently. As is known, a number of initiatives has been presented there in which there is a noticeable endeavor to impart a more constructive thrust to American foreign policy, lessening the exclusive emphasis which was put on strength at the start of the 1980's. Inasmuch as strength is proving expensive and its costs need to be reduced, thought is having to be given to versions of policy which are not so "hardline," in the sphere of Soviet-American relations included.

The deficit is also weighing heavily on the White House's favorite military creation—the SDI. It is this program which could in the future throw out a most dangerous challenge to thoughts of economies and financial prudence. Whereas spending on the program is as yet at the level of several billion dollars annually, the full cost of the SDI could constitute an astronomical sum. Many congressmen are understandably worried about whether it is worth embarking on a venture which could in the future undermine efforts to balance the budget. Recent decisions of the Congress—to cut the amounts for SDI research—and the mood spreading among the legislators

(and in the country generally) in favor of making this program a subject of negotiations with the USSR bear, aside from all else, the imprint of entirely justified financial misgivings.

The critical attitude toward the swollen military budget has strengthened most recently. As the BALTIMORE SUN wrote in September 1987, it is obvious from economists' viewpoint that the deficit is born of military spending not buttressed by new taxes. TIME magazine spoke in November 1987 about the collapse of the "Reagan illusion"—a belief that the United States could increase military spending and simultaneously cut taxes with impunity. Just as in the period when the above-mentioned emergency negotiations on reducing spending were being conducted between the White House and Congress, the legislators came up with a highly original means of pressure on the administration. Two versions of the military budget for the 1988 fiscal year were drawn up, one of which provided for the allocation of \$296 billion (if the administration agrees to new spending cuts), while the other planned \$289 billion (if it refuses). There was a third version even—"only" \$279 billion were approved (as a means of additional pressure if such is required). This modus operandi of the legislators manifestly showed that money for military preparations has ceased to be as inviolable as just a few years ago even. Of course, there are many figures on Capitol Hill for whom it still remains such (the press has written that the November agreement between the legislative and executive could run into opposition from some members of Congress owing to the cutback in Pentagon spending). But whereas before these appropriations were unshakable for the majority, now, for a manifest minority.

It is worth putting a broader and more interesting question—will not changes appear in American foreign policy thinking (whatever the currents and parties in question) under the impact of the huge budget deficit and national debt? This is by no means a speculative formulation of the question. After all, it should be considered that hitherto such thinking has been shaped under conditions wherein the financial base of any policy option has never been in question. Its "enabling power" has been practically unlimited. In fact, foreign policy, the concept thereof and specific tasks have been determined not only by the aspirations of the ruling classes (Soviet American studies have until recently paid attention almost exclusively to this aspect) but also by the possibilities at their disposal.

While these possibilities were great, they were not perceived to be inhibitors. And if, for example, in the 1960s and 1970s faith in the feasibility of global ambitions was shaken (we recall J. Kennedy's thought that there could not be an American solution of all problems), this insight was born under the pressure of their political and military groundlessness which had come to light. An important process is now under way, it would seem—one further inhibitor, financial, is appearing. Time will tell how strong its impact will be. The well-known American

economist R. Hormats, who worked in the R. Nixon, G. Ford and J. Carter administrations, believes that an era of "tax-budget and consumer caution in our society" is approaching.

What role could the deficit perform in the immediate political future—at the 1988 election? Whom will it help, whom will it hinder? Of course, if, as we have said, it is appreciably reduced, its role will in this respect diminish also. It will slip from the sphere of public attention. However, a reduction is not guaranteed. The 2-year experience of combating the deficit already to hand has shown that, as a rule, plans and reality diverge. And, in addition, if there is a recession in the economy in the very near future (this is unlikely, the majority of economists believes), it cannot be ruled out that it could increase even. After all, tax proceeds at a time of recession decline, and a number of social expenditure items automatically increases.

Meanwhile it may be assumed that in this case the deficit would assist the Democrats. Not because they have some particularly effective program for combating it, and the Republicans do not. Rather owing to the fact that the latter will in no way be able to turn it to their credit, but it could very easily become their liability. For example, practically all observers agree that if there is a recession prior to the election, the deficit and the debt would immediately make the Republicans' position worse. And not only because the ruling party incurs political losses and loses popularity in such cases but for the added reason that ending a recession, given the tremendous national debt, would certainly be an extremely complicated business. Attempts could be made to absorb it either by way of a sharp increase in budget expenditure (the liberal method) or by big new tax cuts predominantly for the prosperous part of the population (the conservative way). However, both would bring about a further—truly fantastic—growth of the deficit. Even if it is assumed that the administration would venture upon such a step, this would bring about a sharp rise in interest rates inasmuch as the government would have to borrow monstrous amounts, and bank lending would accordingly become sharply more expensive. And this would mean the simultaneous activation of the mechanism applying the brakes to economic growth. In other words, the Republicans would not only encounter a recession but also the impossibility of doing anything effective and, as a result, would pay the inevitable political price at the election. As the political scientist P. Peterson wrote, "an economic recession would have fatal consequences for the administration under which it occurred, considering the deficit" (7).

And one further fact could make the deficit so dramatic for the Republicans—an explosion of social tension. The 1980's have been a relatively "quiet" period in this respect, but the "quiet" could end rapidly and abruptly, as has frequently been the case in American history. In the 1960s government authority took the path of a quite appreciable expansion of social security and welfare to

beat back the wave of mass movements. This required considerable resources, but, given the budget situation at that time, they could be found without particularly painful financial consequences. Now this is more complex. And taking a predominantly repressive path would be highly risky for the Republicans.

But given any development of events, the unprecedented growth of the deficit and the national debt in the 1980s will remain a serious warning to the United States. A warning calling for responsibility and restraint in any sphere of policy, foreign included.

#### Footnotes

1. See "Statistical Abstract of the United States 1987," Washington, 1986, p 292.
2. T. Edsall, "The New Politics of Inequality," New York, 1984, p 49.
3. POLITICAL SCIENCE QUARTERLY, Winter 1985-1986, p 580.
4. See L. Barret, "Gambling With History," New York, 1983, pp 166-167.
5. See NATIONAL JOURNAL, 9 August 1986, p 1956.
6. See *ibid.*, 12 July 1987, pp 1722-1723.
7. POLITICAL SCIENCE QUARTERLY, Winter 1985-1986, p 601.

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